

SPECULATORS AND POLITICIANS

By
I. W. C. SOLLOWAY

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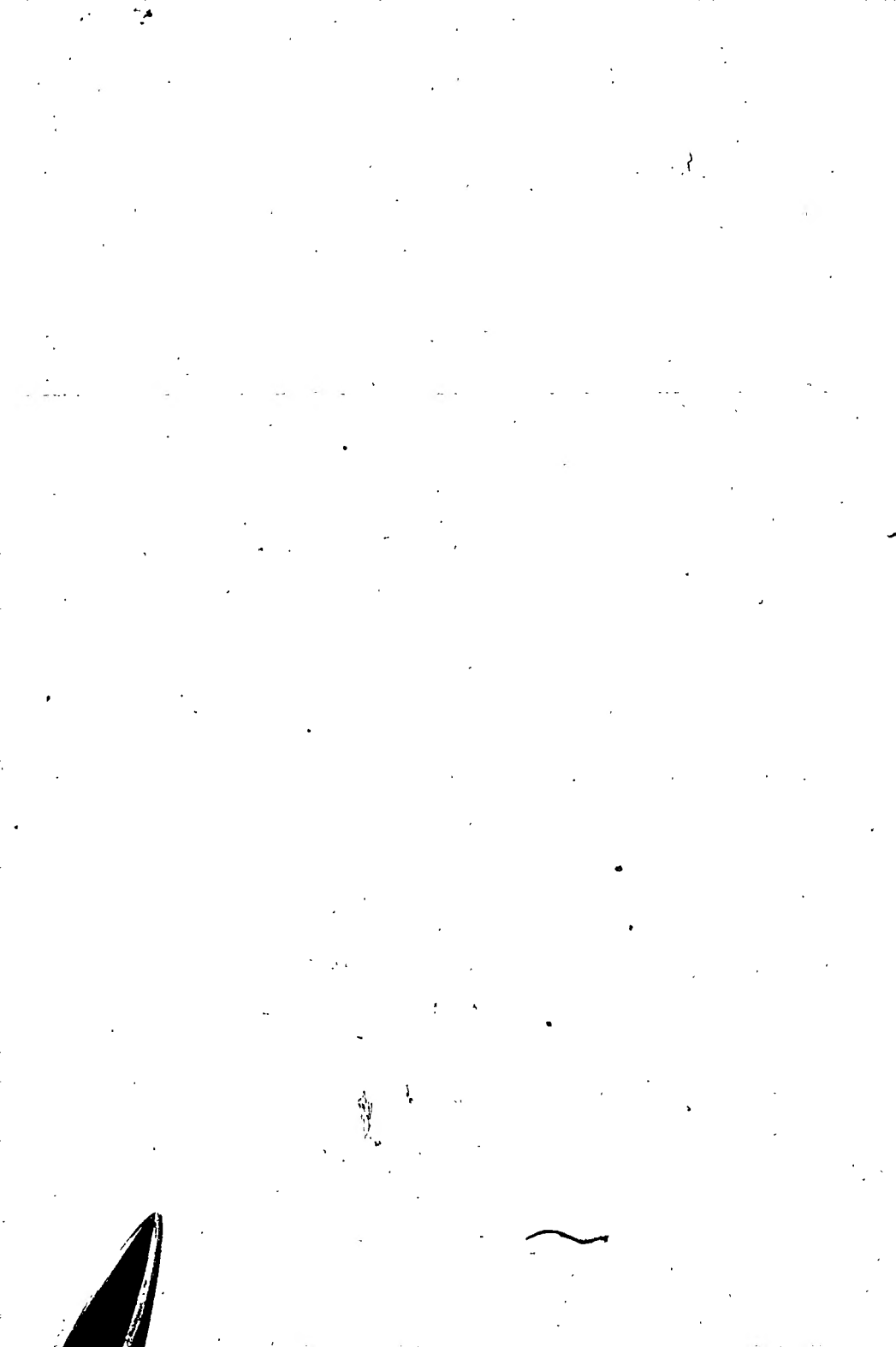
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SPECULATORS *and* POLITICIANS

By
I. W. C. SOLLOWAY
WESTMOUNT
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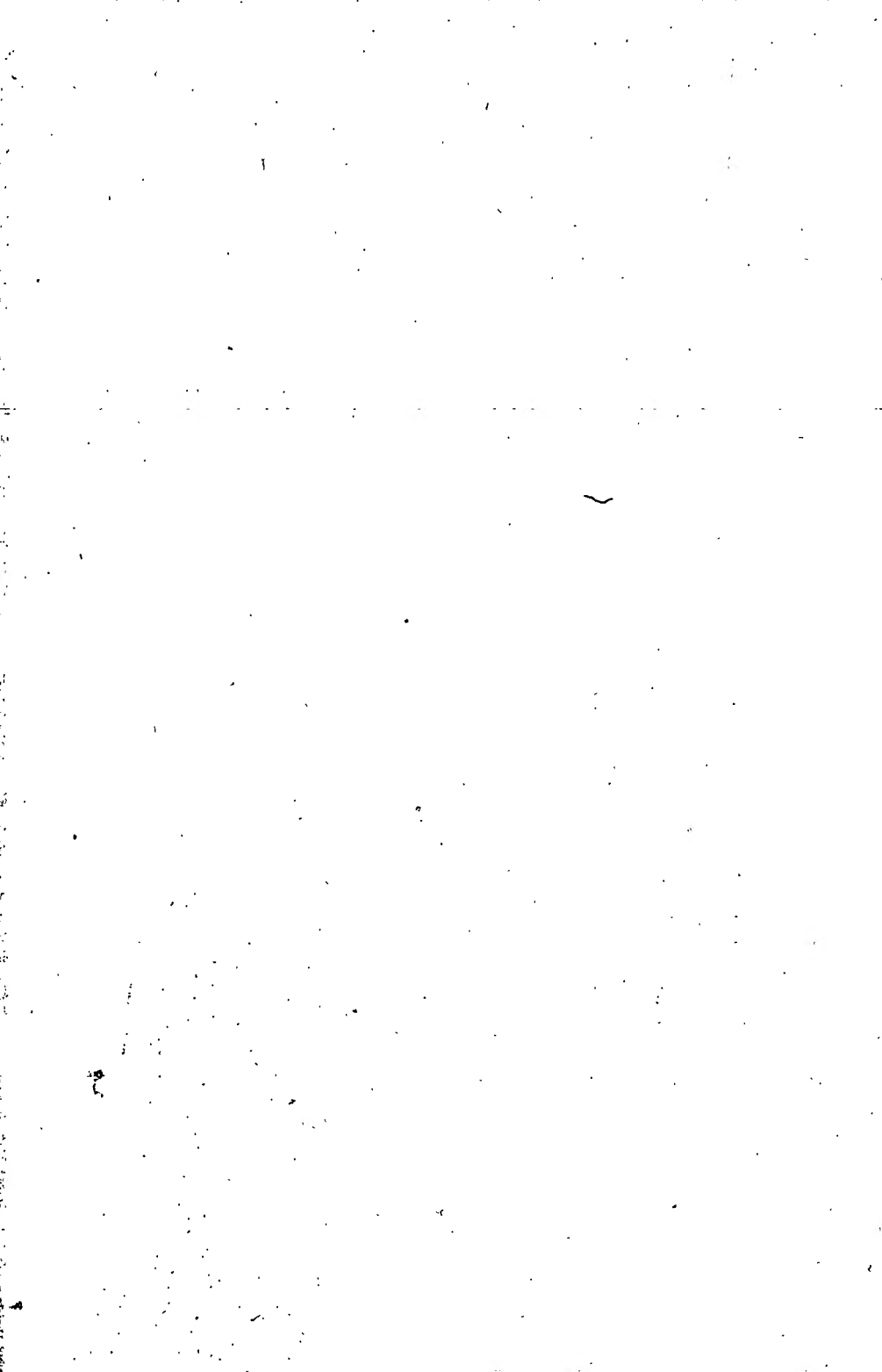
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Eric Solloway

PREFACE

THE majority of people who come to see me and write to me are looking for work or financial assistance. Most of my life I have spent in occupations of manual labor; perhaps this is the reason why I feel so intensely for those who live in this land of plenty and cannot find an occupation.

In Part I of my book I have endeavored to point out Canada's economic mistakes as I see them. I advocate a National Economic Council to assist in correcting our national errors. I advocate a National Stock Exchange to assist in financing Canadian industry. I advocate government control of our large financial institutions, because, when a large institution fails, it becomes a national obligation. I am obsessed with the idea that, since Confederation, Canadians have spent too much money in foreign markets, and I am confident the great majority of those who read this book must agree with me.

In Part II I have used the Solloway, Mills business and prosecutions to show our people:

- (1) That money used in Canadian investment and speculation creates employment in Canadian industry.

PREFACE

(2) That mistakes of politicians can destroy industry, resulting in unemployment.

Machinery, to a large extent, has now taken the place of the labor of man in producing most of the things he requires, and I believe in the not-distant future many nations of the world will witness economic revolutions. I pray that the leaders of the future who will struggle with these economic and social problems will realize that wealth cannot be destroyed without disaster to the working people.

THE AUTHOR.

CONTENTS

PART I

CANADIAN ECONOMIC FALLACIES

I.	THE WEB OF PARTY POLITICS	3
II.	NO ECONOMIC SECURITY	6
III.	NEED FOR A NATIONAL POLICY	12
IV.	THE MIGHTY HAVE FALLEN	18
V.	OTHER PEOPLE'S MONEY	22
VI.	NATIONAL FARM POLICY	26
VII.	NATIONAL ECONOMY	35
VIII.	SAVING THE COUNTRY'S WEALTH	40
IX.	CANADIAN MONEY FLOWS TO WALL STREET	45
X.	HOW U. S. BROKERS OPERATE IN CANADA	53
XI.	CANADIAN LAWS AFFECT STOCK EXCHANGES	59
XII.	PROPOSED RE-ORGANIZATION OF EXCHANGES	64
XIII.	FINANCING—A COMPLICATED BUSINESS	73
XIV.	THE LAWS OF SUPPLY AND DEMAND	82
XV.	CANADA	85

PART II

THE SOLLOWAY, MILLS BUSINESS

I.	THE RISE OF THE BUSINESS	91
II.	HOW I COMMENCED BUSINESS	97
III.	AN ERA OF PUBLIC SPECULATION	103
IV.	THE POLICY THAT GOVERNED OUR SERVICE	111
V.	THE FINANCIAL OR TRADING POLICY	119
VI.	THE MARKET COLLAPSE OF 1929	124
VII.	THE SOLLOWAY, MILLS PROSECUTION	131
VIII.	THE POLICY GOVERNING SHORT POSITION	152
IX.	POLITICAL CONSIDERATIONS	157

CONTENTS

X.	GONE MAD!	- - - - -	164
XI.	MY EFFORTS TO ASSIST THE INVESTIGATION	- - - - -	167
XII.	EQUAL JUSTICE TO ALL!	- - - - -	175
XIII.	THE TRIALS	- - - - -	180
XIV.	MR. JUSTICE IVES' JUDGMENT	- - - - -	186
XV.	GRAND UNION HOTEL REMINISCENCES	- - - - -	195
XVI.	BROWNLEE FORCES PRICE'S HAND	- - - - -	201
XVII.	ONTARIO TRIALS AND SUMMARY	- - - - -	211
XVIII.	BLUNDERS	- - - - -	219

PART I

CANADIAN ECONOMIC FALLACIES

CHAPTER I

THE WEB OF PARTY POLITICS

FOR the first time in my life I have taken a holiday and a rest. Often, as I have looked down upon the City of Montreal and St. James Street during the past summer, I have thought of many things. I have collected these thoughts by putting them in writing with the hope that I can make out of them a story which people will read and through which they will gain some benefit.

As I review my own experiences, gained by thirty years of work in many occupations, I see how Canada has been used as an adjunct of the United States.

The Americans have, in effect, said to us:

“We won’t take the products of your farms, we don’t want your wheat and cattle, but we do want the rich products of your forests and your gold mines. In return, we will allow you Canadians to buy the products of our industries. We will also allow you to send your money to Wall Street so you can buy the inflated stocks and bonds of our mismanaged and manipulated industrial companies. We will buy your pulpwood and turn it into paper with which our printing machines will turn out beautifully-decorated stock certificates. You Can-

adians are good neighbors so we will let you have, in exchange for your gold, not only the product of our factories but the product of our printing machines.

"We are a grateful nation and remember that, a few years ago, when we did not want to enforce our prohibition laws because our bootleggers were making a lot of money and because, to enforce prohibition was not good politics, your government at our request enacted laws to stop your Canadian distilleries exporting liquor and your efficient police force, at the expense of Canadian taxpayers, stopped liquor coming over the border, something our police officers could not do. So now we buy our liquor from France and Great Britain via St. Pierre Miquelon.

"We also wish to show our gratitude for the manner in which you handled your brokerage prosecutions and practically put your stock exchanges out of business so your people could send more money to our New York Stock Exchange. We were building too many skyscrapers and we needed the money."

During my idle summer months, 1932, I have been reading the newspapers and noting that, while our people are working to send more gold to Wall Street, our leaders of industry are talking depression and many of our politicians and the daily press have been amusing themselves playing politics.

It also has appeared to me that our Prime Minister is overworked. He has succeeded in balancing our trade with foreign countries and, for the time being, is keeping our institutions out of the courts

and out of bankruptcy but there are other things that the Premier has not seen. Our problems are far too many for one man to solve and, in addition, his liberty of action is hampered by party politics.

The thought occurs to me that the Premier is in the same position as the nation—caught in the web of party politics. The system is too powerful. No one man or group of men can succeed in remedying our national difficulties, unless we find an opening in that stone wall of party politics. What would men like Van Horne and Donald Smith say to the Canadian people if they could return from their graves today and see our country drifting, our men unemployed and the breadlines? They would tell the people that all the grand opportunities for industry and labor which Canada offered in their day still exist.

One day in August, 1932, I went down to St. James Street for the first time in over a year—the street I knew so well—where I worked to create Canadian industry. I visited the office of the New York broker. It was a hive of activity. I visited the office of the Canadian broker—it was empty. Once more we Canadians were sending our money to Wall Street. I thought of the days when I came down from the mining camps of Northern Ontario and watched the people sending their money to Wall Street—when I couldn't raise a few hundred dollars for a grubstake.



CHAPTER II

NO ECONOMIC SECURITY

THE depression has taught people in every occupation and in all parts of the world that there is no such thing as *economic security*.

We have seen the currencies and bonds of wealthy nations become greatly depreciated.

We have seen financial and industrial companies go into bankruptcy.

The rich have lost their money, the business man his business, the wage-earner his job.

About the only thing that has retained its commercial value is gold, and now some of our greatest economists tell us that we should depreciate the value of gold.

I know of no way that the investor, the business man or the wage-earner can provide for his old age with absolute security. The investor cannot put \$10,000 into government securities or currency, place it in a safety deposit box and say with assurance that, in ten years, he will have this money for his old age. He may, however, copy the method used by the Bank of France—dig a hole in his back

yard and bury gold bullion with some assurance that, in ten years, gold will still be valuable.

If business the world over is disorganized today the main cause is that the investor has lost confidence in investments. If the individual business is bad the causes quite often will be found within the business. If we have overproduction it is because of over-expansion. Investigation of business and financial failures nearly always discloses mistakes in business policy and business management.

If our nation is drifting towards the rocks of bankruptcy, then our National Policy and the management of the nation's business is bad. And we cannot find economic security for the individual business concern until we first secure economic security for the nation.

At the moment we hear the phrase "economic freedom". The depression has shown that in order to bring this about (1) some machinery must be established to control the men we send to parliament so the public interest will be served above the interest of the individual and the political party; and, (2) we must control the men who, by different ways, secure control of the public's money or reach powerful positions in the financial and industrial world, so that the nation's wealth cannot be dissipated and wasted by a few individuals in their own manipulations. I predict that any political party in

Canada which does not submit to this public opinion and create the necessary machinery will meet with disaster.

For centuries people tried in vain to break away from the feudal system and from the domination of kings and nobles. For centuries they were handicapped because they could not find the proper words with which to interpret the thoughts of the masses, but finally they found "political liberty"—meaning political and social freedom. Once they discovered this they made progress.

So now, in this age, it is possible that political agitators are looking for *economic freedom* and, having found the words to express what they want, they may rapidly accomplish some measure of economic security for the masses.

NEED FOR ECONOMIC CONFERENCE.

Would it not be possible to call a conference of fifty patriotic men representative of all parts of Canada and all occupations—politicians, bankers, merchants, lawyers, farmers, and laborers—with a view to creating some plan which could be presented to parliament for the purpose of bringing about protection to the investor and the working man? In order to accomplish this object the conference would, first of all, have to decide on a national economic policy for the nation and bring in recommendations for economic management of the nation. Before

we can do anything for the individual industry we must first provide for the nation. It seems difficult to find economic security for the country unless we find a way of controlling the men we send to parliament so that those in responsible positions will not be handicapped by the political machines and party politics.

We require some system so that the minds of our public men will be free to concentrate on the interests of the nation. Under our present political system the premier and the cabinet minister must first consider how the words they use or the decision they make will affect votes at the next election, with the result that their whole policy is governed by trying to say what, they think, will be successful in securing votes. We must also find some way of controlling men and institutions so that the public's money in their possession cannot be dissipated. If we have a disaster at sea or a serious wreck on a railroad we establish a board of enquiry to find the cause. Having found the cause of the disaster, measures are taken to try to prevent a similar disaster. Under our present industrial system, when an institution or industrial company goes into bankruptcy owing the public a great deal of money, the popular thing to do is to try to put some one in jail. Very seldom is anything done to prevent a recurrence of a financial disaster. The whole machinery of the attorney-general's department is

concentrated on the prosecution of some individual, which action does not recover or prevent public losses. Therefore our attorneys-general should have some method whereby they will investigate every failure and make recommendations to parliament from time to time so that similar financial disasters cannot occur.

Unless we find some way of controlling men and institutions so that the public's money in their possession cannot be dissipated, we shall not avoid periods of industrial depression.

INDEPENDENT MEMBERS REQUIRED

In Canada we have two political parties who have honorable traditions, but our present system requires some reorganization so that the interests of the nation are not sacrificed at times for the benefit of the political parties. We do not require a new political party; for experience has taught us that new parties are expensive and that, by the time they become familiar with the management of public affairs, they acquire all the weaknesses of the older political parties whose methods they started out to improve. Therefore we might begin by sending to parliament say ten per cent. of our members who would be independent of all party affiliations and whose function would be to watch and criticize both parties. These members should not be considered an independent group with hopes of some day in-

creasing their numbers and assuming control of government. Provision should be made financially for them by parliament so that they would be free of all obligations either to financial interests or political persuasions.

I do not believe that we can control party politics unless we make some change in our present system of electing men to parliament. Having found a way to control these men, we must find a way of controlling the men in the industrial world who, through our institutions, control the public's money.



CHAPTER III

NEED FOR A NATIONAL POLICY

THERE are many weaknesses under the surface of our industrial and political life which must, very shortly, be forcibly brought to public attention.

A few years ago we spoke of the national debt having been increased by such things as "The War" and the accumulated obligations of the national railways and steamship lines. For many years we had a very large adverse balance of trade with foreign countries and while it is gratifying to note that at the moment we have turned this into a small favorable balance, we have never taken note of the monies that Canadians send each year to foreign financial markets, particularly New York. The result is that we are required to find approximately \$1,000,000 a day to meet our obligations in foreign financial centres, principally New York. In addition, there is the large outstanding bonded indebtedness of the provinces, cities and municipalities.

We have not balanced our Federal budget for many years. Our Federal and Provincial governments, cities and municipalities are constantly in-

creasing the nation's indebtedness. Our Western provinces are facing financial difficulties and many of our large financial institutions are not liquid to the extent which is required when a reputable firm of auditors attaches its signature to a financial statement.

It is difficult to forget that, within our lifetime, the bankrupt nations of Europe were once wealthy and powerful. It is also difficult for people who have not lived or travelled in these European countries to realize the poverty and misery of the people who have lost, in some cases, the accumulation of generations in the government bonds and paper currency of their countries.

We cannot forget that it is just a year since the greatest financial country in the world—England—was forced off the gold standard and that it is quite possible that we Canadians may go to bed and wake up the next morning to find that our government is in the position that it cannot meet either capital or interest on our national obligations, and also to find that, instead of our currency being quoted at ten per cent. discount in New York, it is quoted at fifty per cent. discount.

If, in the course of time, we Canadians should find ourselves in this unfortunate position, it will be because the men of today who hold responsible positions in governments, industrial and financial institutions and our daily press are not aware of the

dangers facing the nation or are incapable of bringing forward constructive measures.

If we are to avoid the fate of other countries, the Canadian people must immediately face higher taxation and our governments must not only find a way to balance their budgets but make a beginning in the reduction of their bonded indebtedness. We cannot go on forever paying our national debts by manufacturing additional paper bonds and paper money in the form of dollar bills.

VALUE OF GOLD MINES

Taxation alone will not meet the situation. We must work out a national policy so that, as we develop our natural resources and turn our national assets into cash, we shall not be sending so much money to foreign markets. One thing the Canadian people should not permit of any government in future is an adverse balance of trade with foreign countries. If in these days, when we are depleting our mines, we are facing financial difficulties, what condition will this country be in when our mines are exhausted? In my opinion it is only our gold mines that are making possible today the meeting of our obligations in foreign countries and the stabilizing of the market price of our bonds and keeping our currency from a greater depreciation than ten to fifteen per cent. in New York. We forget that we cannot replace the ore taken from our mines. The

owner of a copper mine today should not think of mining the ore at the present world's market price of copper. At the present price of all base metals we are only depleting our base metal mines to the advantage of foreign countries who buy the product from us. Our mineral deposits should be considered as national assets and we should have a sound economic policy so that, as we develop new wealth in any line of industry, the nation will be richer and not poorer. Under our present methods of developing the natural resources of this country all we are doing is turning assets into cash and then using that cash to buy goods in foreign countries.

KEEPING CANADA SELF-CONTAINED

We are not a small country with a large population or a manufacturing nation that has to buy and sell in all markets of the world. I never held the view that the welfare and prosperity of Canada altogether depended upon the fortunes or the misfortunes of foreign countries. I would use our own natural resources to safeguard us against many ills that will periodically affect other nations.

We must have a national policy so that we can manufacture at home most of the things we now buy abroad and when we buy from a foreign nation we must see that that nation buys an equal amount of Canadian goods. We also require a national policy to the end that we can make full use of our own

resources and reduce purchases from other countries of the things we have in Canada. Why not adopt the policy of the French—put a prohibitive tariff against foreign goods of all kinds which we can produce in our own country? What is a good economic policy for England and the U. S. A. is not necessarily a good policy for Canada.

Perhaps most important of all is that, by a sane national farming policy, we could place millions of people on the land in such a way that they would be self-supporting, happy and contented. In this manner we would develop home markets. We must change our policy regarding markets. It is more important and beneficial to Canada that we develop home markets and pay less attention to foreign markets.

To find the money to meet our national expenditures to maintain this large country we must purchase more things which are produced in Canada and less in foreign countries. To create more Canadian taxpayers we must create permanent home markets and permanent employment for Canadian labor.

The goods which we endeavor to sell in foreign countries must be of high standard to create permanent markets. Let us avoid temporary schemes and temporary markets. All goods for export should be government-inspected.

Let us embody all constructive ideas into a na-

tional policy. My idea for promoting Canadian trade and markets is for our government, say the Department of Trade and Commerce, to bring to Canada experts from Paris, London, Manchester, and other places, to teach our manufacturers to produce everything in Canada as good as we buy in foreign markets, thereby creating home markets and supporting our own working people. Our Department of Agriculture should teach our farmers how to grow and prepare products for the home and foreign market as fine in quality as any in the world.

CHAPTER IV

THE MIGHTY HAVE FALLEN

NINETY-FIVE per cent. of the people in all occupations in all parts of the world are anxious for economic security.

A very small percentage, consisting of those who will not work, cry out for the dole. The unemployed man is not looking for a few weeks' work; he wants a permanent job. The man in an occupation desires to keep his job; the business man his business. The family worries how to save the home. The investor is anxious about his savings. The world is tired of war and revolution; it wants peace and security. The feudal system that the people today must control are the "kings" and "nobles" in our political and industrial life, the men in control of the political machine, who become rich and powerful when their party come into public office; our bankers and industrial leaders who control the public's money and use it for their own purposes and assume the real positions of kings in our industrial and social life. They control the working man, the business man,

the home builder, the press and, through the political machine, the men we send to parliament.

As we review the long list of industrial failures in which the public's savings have been lost, we, who have lost our employment and savings, realize that these men, whom only a few years ago we worshipped as gods, have made poor work of managing their jobs, and we feel so silly because we thought they were great men to whom we could give our savings to make us rich. The result is that people will no longer invest. Some of them are even afraid to put their savings in a bank, so many are doing like the French peasant—putting it in the sock.

I once worshipped many gods in our political and industrial life. I thought they were great men. When, as a young man, I passed the doors of our great financial institutions or industrial plants I felt like a soldier when he meets his general—that I should come smartly to the rigid position of military attention and salute—if not the massive stone building at least the highly decorated doorman.

I have no more illusions. All my gods have fallen. I have worked and played with a fair percentage of these great men. I have tried to be one of them, but found that we do not see life with the same eyes. The men I thought were great executives could not manage their own families. The men I thought could look after my money did not know how to look

after their own. I find that their children are not well educated, have not good manners and that as soon as their daughters become fifteen years of age they think the smart thing is to smoke cigarettes and drink cocktails. They must not take any physical exercise because tennis would put callouses on their hands and golf would develop muscles in their legs. Mother thinks it is very smart for her young daughter to be sophisticated and blasé when she is quite young in life. The result is that, when some nice young man comes along after graduating from college, partly by the hard-earned savings and sacrifices of his parents who happen to be just ordinary working people and by his own labors in doing odd jobs during vacations, the young girl in the rich man's home is not worth having, because all she knows is petting parties, cigarettes and cocktails.

CONTRAST IN THE "WILDERNESS"

A short time ago I went up to the North country to visit some of my old friends. I spent a few days talking with the small farmer who has made a home in the "wilderness" and the prospector in his cabin. I discovered these people had found economic security. They had time to read good books and to think and meditate over what they read in the daily newspapers. These people gave me their ideas and opinions of what was wrong with the world, as sound

as I ever got on St. James Street or in the financial centres of Toronto, New York, London and Paris.

These people are away from the noise of the industrial world. They live close to the land and their wants are few. They go to bed early and wake up early in the morning, healthy in mind and body. They are not burdened with the worries of the cost of living. They have no interest to pay on mortgages, no high rents, no automobiles to maintain. Their women-folk are not spending their days in the shops worrying about the latest Paris fashions. So they have time to think and read and make jokes at the expense of those in the cities who keep going round in circles toiling from early morning until late at night in the mad scramble for riches and luxuries.

CHAPTER V

OTHER PEOPLE'S MONEY

AS we review the failures in government and in the industrial world during the past few years we think of wealthy nations who are now bankrupt, whose bonds and currencies are just so many pieces of paper, of such industrial failures as Krueger and the Insulls in foreign countries and the many industrial collapses in our own country, of the wealthy individuals who have lost their money. When we stop to think how few of us are capable of taking care of our own money, we realize how difficult it is for men to take care of other people's money. During the last ten years thousands of people made fortunes in the stock market and in industry but very few have been able to keep their money, so they are afraid to invest the little that is left. They realize, that, if they are not able to manage their possessions with safety and security, how much more difficult it is for other men to manage them. So the unemployed man is wondering why he cannot find a job; the business man why business is bad; the banker why the people are not keeping their money.

in savings accounts. Meanwhile the governments are trying to keep going by issuing more bonds.

What we need in the industrial world today is not so much cheap money as real money. I think of the days when I took my small pay-cheque to the bank and they would pay me with so many pieces of silver and so many pieces of gold. We didn't get much money but what we got was real money. The people in those days would consider very carefully before buying something they could not pay for. The great ambition of the people was to own a farm or a home without a mortgage and to be able to say they were not in debt and therefore independent. I was brought up in one of those old-fashioned homes where I was taught not to buy things that I could not pay for; to pay my bills promptly; that once I got into debt I lost my independence and self-respect. In some ways I believe that, not only the individual, but the nation must get back to these old-fashioned ideas today.

Buying and selling on the instalment system destroys the morale, and the honesty and independence of our people. It creates for the seller an artificial production, credit and market which eventually react against him and destroy permanent markets and prosperity. It gets the young man and young married couple into debt, which in turn brings unhappiness, ill health, loss of self-respect and independence and often dishonesty. We should put

severe restrictions on credit schemes, and make the seller responsible for collecting his debts and not let him use the Criminal Code. Under present laws we are encouraging blackmail and the use of our police and police courts for the collection of debts.

MONEY AND HUMAN NATURE

There is something contagious about money. Some people say money is a hard master. My own experience is that money and human nature are two things that are very difficult to unite. I have taken a hard-working young man and put him into a responsible position with a good income. Quite often he loses his usefulness. I have taken hard-working honest men, put them in positions of trust where they had in their possession large sums of the public's money, and they have been dishonest. They might have thought they were taking my money. But it wasn't my money—it was the public's money. Men in powerful positions in public life thought they were destroying my money. It wasn't my money—it was the public's money for which I was responsible.

I have sometimes worked hard and spent my money to help elect some man to parliament whom I thought was a strong man, who not only had good principles but a man who would fight for his ideas and principles. I have found that as soon as he gets to parliament he loses all his personal ideas and

fighting instincts and becomes a cog in the big wheel.

I have known men whose sole ambition was to gain public office so they would be in a position to fight for their ideas and once they gained a place where they are addressed as "Honorable Mr. So and So" they forget all about their ideas. They are no longer fighters, they are just cogs in the political machine.

I have known many sound and intelligent men who, as soon as they became rich, lost their good common sense (few people can stand prosperity).

Then we wonder why we have industrial depressions, why we have unemployment and breadlines.

CHAPTER VI.

NATIONAL FARM POLICY

WE Canadians have a large rich country with a small population. The country is so rich in natural resources that, with few exceptions, we could be self-supporting. We are a healthy race and a nation of workers. For at least a hundred years we have been exploiting our resources and money has been coming to this country from all parts of the world, so today we should be a wealthy nation.

Instead, the nation is burdened with an enormous debt. The nation is like a rich man who, some day, wakes up to find his fortune gone and the bailiff at the door. We haven't been worrying about our spending habits because we thought all we had to do to pay our debts was to change governments and in some mysterious way the new government would pay off the bailiff.

We require a "department of national economy" to cut down our foreign bills, to ascertain what we can produce at home that we now buy abroad, to review the possibilities of increasing our home

markets and to see if we cannot do something to place more people on the land.

THE SMALL FARM

It is not impossible that modern machinery in the cities will drive people back to the land. Machinery is doing much of the work today that men formerly did and has left few occupations for the unskilled laborer. Until the advent of our large wheat fields, modern tractors and combines, farming was never considered an occupation for a man who wanted to become rich. People went on the land to become self-supporting and independent. The small farmer today has a larger measure of economic security than a man in any other occupation.

The small farm, on which a man produces many things he consumes, is a better economic unit than the large farm. The large farmer must have a great capital investment and be a victim of bad crop years, Acts of God and overproduction. He is dependent on export markets which may be taken from him overnight by tariffs.

The small farmer may avoid many of the risks which the large farmer must take. The small farmer may avoid labor and financial troubles. He requires little capital, pays few taxes. He can provide for his own economic security which the large farmer

France today is finding food and employment for 40,000,000 people. It is a nation of small farmers and small businesses.

cannot do because he must have capital to employ labor, pay heavy overhead and large taxes.

Once the average farmer borrows money or goes into debt to buy machinery, he is handicapping his future. If our rich fields are idle and our farmers short of cash, it is because of our national policy and our national political attitude towards the farmer. We have not only hampered the farmer financially but we have destroyed his morale and the sense of independence that the land offers to the tiller of the soil.

We should protect the Canadian farmer's home markets by excluding the farm products of other nations and teach the Canadian farmer how to produce and prepare his products both for export and the home market. He should be able to produce as good cheese, butter, vegetables, fruits, meats and other products as cheaply as any farmer in the world. The same thing applies to the manufacturer.

We must adopt a national farm policy for placing people upon the land, not to become rich but to become self-supporting. When I was a boy working on the farms of this country the farmer was proud of the green fields that he hewed out of the forest. He was proud of his occupation. He would tell the city man of the many advantages of farming. He would point out that the farmer was the most independent man in the world, that he was his own boss, that he was free of the hazards that affected the

city man. He would point out that, in times of famine and depression, he could support himself independently of the commercial world. His women-folk could not only make his clothes but, in times of necessity, they could even make the cloth that went into his clothes, and in those days the farmer had few of the facilities of today. His only market was the local lumberman or railway contractor. He required very few markets and very little money and he neither received nor expected much government assistance.

Farming offers the same advantages today that it did in the days when I was a boy. I remember that farming communities were very happy and prosperous places in which to live. The average farmer is a good sport and his greatest complaint today is the same as it was twenty-five years ago—the middleman and the middleman's profit. He doesn't complain so much if he gets only ten cents a dozen for his eggs but he cannot understand why the consumer in the city should pay twenty-five cents a dozen. He also objects to paying taxes for public improvements which benefit the city man.

WHEAT POOLS WERE DISASTROUS

One of the most disastrous events in Canadian history was the formation of our Canadian wheat pools and our policy of getting the farmer into politics. Twenty years ago Canada had an excellent

organization of independent grain brokers and milling companies with agents in foreign countries. We had a national policy of placing people on the land because we had the necessary machinery to dispose of the farmer's product.

The whole policy of the pools was wrong from their conception. They started out to get the farmer \$1 a bushel for wheat. When this had been accomplished, they said, "We will get him \$1.50". When this objective had been attained, they said, "We will get him \$2 a bushel".

What they really succeeded in doing was to use the farmer's money and credit and even the nation's credit to create an artificial market price for wheat and other grains while storing it in every imaginable place, such as elevators, ships, barges and storehouses, while other wheat-growing nations undersold the Canadian farmer and captured our foreign markets. Even worse, they forced other nations of the world to grow wheat and they antagonized the European consumer because they were forcing the working people and the poor to pay a higher price for their bread. All this was going on while the promoters of this movement were telling the farmer they could control the price of wheat in the markets of the world and were preaching to him a political theory to the effect that farmers must control their own governments and even their own leaders. What these men were really doing was creating positions

for themselves so that they could control enormous sums of the public's money and the nation's credit and secure for themselves powerful positions in public life for which they had not the qualifications, experience or ability. It will be many years before we can re-establish either the wheat values of the world or the farmer's morale and financial position and correct the adverse effects on the industrial life of this country.

The nation must find a way of controlling privately-owned financial and industrial institutions and systems, because when one man or a group of men overbuilds a railway system, a banking system, an insurance system, an industrial or public utility system, they do so by using the public's money through the sale of bonds and stocks. When these huge organizations fail it is the public that loses and therefore the nation.

As a nation we must take immediate action, not only to protect the public but the nation itself, if we are to avoid more serious disasters in the years to come than in the past when our governments were forced to take over one of our railways, public utilities and the obligations of the Western wheat pools.

Some machinery in the form of a national bank to control privately-owned banks and a national stock exchange to control the sale of securities is urgently required if our large banking and insur-

ance systems, hydro-electric and industrial plants are not, some day, to become a menace to our industrial progress.

A MISTAKEN POLICY

Our Western wheat growers with their modern tractors, plows and combines are not farmers, they are mechanics. Under our present policy of producing and storing wheat we are using the nation's money and credit to keep about 20,000 tractors and combines working in Western Canada. This money which we are using to store grain and support the price of wheat should be used for the industrial activities of the nation. We should sell immediately all our surplus stocks of wheat at whatever it will bring on the open markets of the world. It is much better for the poor people of the world to have and eat this wheat than allow it to remain in storage and rot. In addition, we would discourage not only our own wheat growers but the growers of the world from expanding production until the surplus stocks had been used up.

For the past few years our governments have been using the public's money and credit to store and to maintain the price of wheat, with the result that, this year, we have a larger crop than last. What we are doing is keeping a few thousand modern tractors and combines working with the public's money. This mistaken policy reacts unfavorably on

the mixed farmer who grows a field of wheat with his other commodities.

As a nation we must face this wheat situation. Because of modern machinery, wheat is no longer king in the world of commodities. We should transfer our wheat growers to sections where they can become self-supporting farmers. We must grow other products on our prairies besides wheat. The general public must insist that the public's money is not used in future for the purpose of storing or creating an artificial market for wheat so that, over a period of years, the wheat market will adjust itself according to the law of supply and demand.

To destroy say one hundred million bushels or to buy or find new markets for wheat will not solve the wheat problem because the growers of the world would only put their tractors, gang-plows and combines to work and produce next year twice as much wheat as was taken off the market.

For many years the banks had a very profitable business in loaning money on wheat until they very foolishly loaned too much money to the Western pools. Then, realizing their error of judgment, they turned around and, very cleverly, got the Western provinces to guarantee their losses. This situation reacts most unjustly on all taxpayers and all other industries including the farmer.

There is an urgent need at the present time for some independent writer to record the history of

our Wheat Pools, the political movement that made them possible and the political reasons why the public's money was used to create artificial markets for wheat to the advantage of the political farm movement in Western Canada. Owing to conditions created by the war, thousands of Western farmers became capitalists and our Western provinces wealthy. The system failed miserably and the men at the head of the Western Pools and governments must take the responsibility for the condition the country is in today.

Under date of Sept. 2, 1932, the *Winnipeg Free Press* quoted Premier Brownlee of Alberta as follows:

"We are a new country with little reserve of wealth and are dependent on one basic agricultural commodity, the price of which is determined for us in a world market beyond our control."

It is unfortunate for Canada that Mr. Brownlee and his political supporters had not this conception and did not use these words years ago when they were telling the Western farmer that the Wheat Pools could control the price of wheat in the markets of the world.

CHAPTER VII

NATIONAL ECONOMY

THE average Canadian is intelligent and a worker. It is bad policy to assume mentally that we Canadians cannot manufacture articles in Canada as good as we buy in other countries. The price we pay for Canadian goods is not so important as the work we give our own people and the home markets we provide for our own farmers and manufacturers. From a national point of view, it is better economics for a manufacturer to have small and efficient plants, one in the East, one in the Middle West and one in the far West than to have one large plant from which he supplies the whole of Canada. It is more important that Canada should have many small prosperous towns and cities than to have a few large industrial centres. Very few of us realize that when our wives pay \$100 for a copy of a Paris model made in New York, this is \$100 lost to Canadian industry and Canadian labor. A Department of National Economy should be able to encourage some manufacturer to emulate Paris models in Canada and to make a dress as good as

the people of New York can produce. The same thought applies to every other manufactured article that we buy in foreign markets.

A "Department of National Economy" could review all articles that we purchase from foreign countries in this way:

Coal—If we buy \$50,000,000 worth of coal a year, that represents \$50,000,000 which goes to support foreign industry and foreign labor. We should put a tax of \$1 a ton on coal and use this money to bring Canadian coal to Canadian markets, using our railroads and idle equipment to transport our coal to industrial centres. Let us have our engineers and inventors working to use our over-production of hydro-electric power so that we can utilize electricity to reduce our coal bills. Thousands of tons of coal (in the form of heat and power) are daily going to waste over our waterfalls and rivers. We should concentrate on using more electricity to heat our homes and factories to cut down the nation's oil and coal bills.

Oil—Very few of us realize that when we drive up to a gasoline station and spend \$5 for gasoline and oil, \$3 of the amount leaves the country. In other words Canada is poorer and not richer because we drive automobiles. Many experienced oil operators both in Canada and the United States believe that, in Alberta, we can develop Canadian oil fields capable of supplying all Canadian requirements.

We must encourage the drilling of wells in Alberta with the object of producing in Canada sufficient oil to meet Canadian requirements. If we have oil in Canada we may as well develop it and use it while the oil is valuable because modern science and invention may any day find a substitute for oil and then our oil resources will become of little or no commercial value. Having found a supply of oil in Alberta we should tax foreign oil and use this money and the idle railway equipment to transport Canadian oil to Canadian users.

I note in a press report of Sept. 31, 1932, that a large oil company has made application for land at Fort Churchill on which it will build large oil storage plants for the purpose of supplying oil to Western Canada. This sounds like shipping coal to Newcastle because, under a government policy that would encourage the development of our oil resources in Alberta, there is no doubt whatever that we could produce sufficient oil not only to supply our Western provinces but the whole of Canada.

Iron—Our "Department of National Economy" could encourage our prospectors and miners to look for iron. At Belcher's Island, Hudson's Bay district, are large iron deposits. If we could develop these iron fields we could save the nation large sums of money.

Gold—The world has lost confidence in paper money and requires more gold. We should advertise

our gold mines and the gold-bearing areas of Canada in all parts of the world. This would bring money for gold mining to this country. A short time ago I was speaking with a well-known American iron and steel man who had made a large fortune with J. J. Hill in developing the Mesabi Iron Range. He said: "Solloway, all we American base-metal men are broke and we are all talking about your wonderful gold mines in Canada. In a country where you have so many wonderful gold mines you must have more."

We could greatly increase our present output of gold by some government assistance which would encourage and make profitable the mining of low grade ore under \$4 a ton by eliminating all government and municipal taxes, duties on machinery and taxes on all income derived from gold ore under that valuation.

With a well-directed policy of circulating information on our gold mining possibilities in such financial centres as New York, Chicago, London and Paris, unlimited money could be brought to this country for the development of our gold mining areas. During the present world-wide depression we have missed many opportunities to bring foreign capital to Canada. Unfortunately we have made many mistakes which have destroyed our financial markets and discouraged foreign capital.

During the past twenty-five years prospecting and

mining have brought prosperity to Canadian industry and I predict that our prospectors and miners will keep Canada financially solvent during this present period of world-wide depression. I further predict that our speculators, prospectors and gold miners are the men who will bring about a return of industrial prosperity in Canada.

The gold-mining areas of Canada today have all the opportunities of years gone by. During the next few years many of the men who are now exploring the wilderness will meet with success. Many new gold mines will be developed and many speculators will become rich.

No country in the world offers such opportunities to the prospector and speculator, and I shall devote all of my energy to encourage capital from the financial centres of United States, England and France, as well as our own country, to participate in the development of this new wealth.

CHAPTER VIII

SAVING THE COUNTRY'S WEALTH

WE could find much work to do for a "Department of National Economy" that should save the country a great deal of money. Its duties would be to constantly check up the expenditures of governments, industry and finance, and to increase the efficiency in the management of government works. There are nations in the world today who are so poor that they refuse to permit their people to travel abroad or allow money to be taken out of the country. So it is better for Canadians to accept some restrictions on our personal liberty now than to wait until more severe prohibitions are forced upon us.

The export market is too speculative and uncertain. As a nation we do not want a few large industrial plants that will be forced to close down periodically thus throwing working people out of employment. Many small industrial plants today are making money while the large ones are losing. It is not so important whether or not we pay \$1 more for a pair of shoes as it is to know that the

money goes to pay a good living wage to Canadian workmen who, in turn, pay Canadian taxes. If as a nation we want to be charitable we can always contribute to the poor in foreign countries.

We Canadians should have a national policy and be careful not to copy the policies and schemes of other nations. We do not want the largest skyscraper that allows a few men and institutions to use ~~the public's money to rob the small property owner~~ of his tenants and decrease the value of his real estate which, in turn, decreases the tax revenue of towns and cities and creates congested areas and ~~additional expense in the operation of cities and~~ towns. We do not want the largest industry or the largest national debt.

We do not want a few rich people who will control all of our financial institutions. We want many people who own their own farms and homes and who consider it more important that their children have a good education and good manners than automobiles and cocktails.

We do not want a great banking system so that the directors and their associates can control large amounts of the public's money and have use of unlimited money and credit. We want a banking system in which the small town merchant and home builder can secure a limited amount of money and credit. We do not want the largest bank or insurance company in the world that could crash and ruin

the nation but some system of controlling financial institutions that will create competition and efficiency in the management of the public's funds.

IMPROVE BANKING SYSTEM

Our banks have a practical monopoly and in order to protect the nation from some great financial disaster we may have to work out a system so that governments will appoint the presidents of our banks, insurance companies and stock exchanges in the same manner that the French Government appoints the president of the Bank of France, who is a dictator and can veto all decisions of the board of directors.

The object of the French policy seems to be to control private interests so that the individual cannot secure an unreasonably large amount of credit and that the nation's credit and public's money may be used by the State in a national emergency.

We must control the motor truck so the public's money will not be employed to build and maintain highways to be used to destroy the public's investment in railways and the livelihood of railwaymen.

We do not want a political system that destroys business; we want a political system that will assist business.

We must create a system that will check the expenditures of governments and all the nation's bills in foreign markets—check the coal bills we pay in

Pennsylvania, check the gasoline bills we pay in South America and California, check the bills we pay for manufactured articles in the industrial centres of the world, check up the securities we buy in foreign financial markets; find Canadians who will make as good an automobile in Canada as is made in other countries; regulate the size of our industrial plants to avoid over-production; put our surplus labor on the land—not to make money, but to make a living; teach us to concentrate on making a living and paying our bills and in the process we may find time to enjoy life, get acquainted with our friends and families and stop borrowing from Peter to pay Paul.

We Canadians are a law-abiding people. If our jails are full to overflowing, it is an insult to our intelligence. Seventy-five per cent. of the men we send to prison are not of the criminal mind or class. They are the victims of our industrial and social system and of unemployment, caused by a bad national policy. It is better economics that we spend less money in foreign markets and create more work for our young men. If we have Communists it is because men have a cause, although they may not at the moment be able to express properly their cause. Prison guards should be instructors, teaching men how to make a living when they leave prison.

When we review the commercial history of Eng-

land one is almost forced to the conclusion that, before the men of England went out to capture the world's markets, they first established financial and commodity markets superior to any other country in the world.

The result is that for hundreds of years people in all countries have sent their money and their trade representatives to England because England provided markets that the commercial world required. So we in Canada should establish both financial and commodity markets in Canada as good as, if not superior to, the financial and commodity markets in other parts of the world.

CHAPTER IX

HOW CANADIAN MONEY FLOWS TO WALL STREET

It is one thing for a man to propose a theory for the reform of some business condition in which he has not had actual or sufficient experience; it is another thing for a man to propose a theory for the reform of a business in which he has not only had experience but in which he may have some measure of ability.

SINCE Confederation, Wall Street, via the New York Stock Exchange, has drained Canada of its surplus money. The New York stock market is a magnet which has always attracted the attention of successful Canadians who have made money in Canadian industry. Hundreds of millions of dollars made by Canadians out of the development of the rich natural resources of Canada have gone to Wall Street—very little of this money ever comes back.

This outflow of Canadian money for speculation and investment in the New York market is lost to Canadian enterprise and Canadian industries. It contributes to the greater development of the industrial centres of America, supporting American industry, employing American labor and paying American taxes at the expense of Canadian in-

dustry, Canadian employment and Canadian taxable revenue.

During the activity in the New York market in August, 1932, I visited several of the New York brokers in Montreal and Toronto. Their offices were crowded with customers. The office staffs were actively engaged in transacting business over telephones and private wires (and this situation existed in the face of a discount in New York on Canadian funds). The losses and market collapse of 1929 and the depression of 1931 and 1932 were forgotten. The "Golden Stream" of Canadian money once more flowed to Wall Street. I visited the offices of the Canadian brokers and noted the contrast. There were rows of empty chairs, with very few customers, and two or three of an office staff waiting hopefully for an order. Ninety per cent. of the market transactions handled were in the inter-listed stocks, such as C.P.R., Nickel and Brazilian, in which the Canadian broker arbitrages between New York, Montreal and Toronto. In a full day's business on the Canadian stock exchanges only a few thousand shares (many days only a few hundred shares) of a good, sound Canadian industrial company or one of our good Canadian gold mines change hands. During 1928 and 1929 Solloway, Mills and Company transacted as much business in a day as is now transacted during a whole week by all the brokers on all the stock exchanges throughout Canada.

At this time I met two old prospector friends of the Cobalt days. Both made large fortunes in the mines of Ontario and Quebec. One said: "Solloway, I have sold out all my Canadian gold stocks and I have put my money in New York, accepting a discount of fifteen per cent. on my Canadian money. I have lost confidence in Canadian markets, I cannot see how they can be revived in the immediate future and I am getting action in the New York market."

The other friend said:—"I lost \$1,500,000 in the New York market last year. I am now back in the gold mines and am going to stay with the business I know and in which I have made my money. I am through with Wall Street."

I know another friend who made an investment of \$1,200,000 in New York and the present value of that investment is about \$300,000. Two other friends of mine have a \$600,000 investment, the value of which is now \$200,000, so that, within my own small circle of friends, I estimate they have lost \$5,000,000 during the past two years in the New York market. If we stop to calculate the amount of money that our wealthy industrial leaders throughout Canada have lost in the New York market, we would find it is tremendous.

It is public knowledge that several of our large

FOOTNOTE: I do not wish to appear to be critical of the New York Stock Exchange, the New York brokers or their methods of doing business. They are only taking advantage of a business opportunity in Canada.

financial institutions, many of our industrial and mining companies, have lost large amounts (the total will run into hundreds of millions of dollars) during the past two years in Wall Street.

Therefore it is no wonder that the United States has 40 per cent. of the world's gold and we find another good reason why countries, which have financial markets such as New York, London and Paris, have practically all the gold in the world.

THE EFFECT ON CANADA

Let us examine how this situation affects Canadians and Canadian industry and employment:

(1) Money employed in the New York market is not available for employment of Canadian labor or in Canadian industry.

(2) It is employing foreign labor and foreign industry.

(3) It is creating revenue in the form of taxation for American governments and loss of revenue to Canadian governments. Money lost in the New York markets is lost to Canada and Canadians and is a total profit to American labor and American industry.

Money employed in Canadian stock transactions through Canadian brokers, banks and stock exchanges is employed in Canadian industry, and is employing Canadian labor and supplying revenue for Canadian governments through taxation. Money lost through stock transactions in Canada is not lost to either the Canadian people or Canadian industry—it only changes hands and remains in Canada and

is constantly employing Canadian labor and supporting Canadian industry. In addition to the money that goes to Wall Street for stock exchange transactions, American brokers and promoters annually sell and distribute to the Canadian people millions of all kinds of securities.

It appears ridiculous that this drain on the financial resources of Canada has never been brought to the attention of the Canadian people. It is really unbelievable that governments since Confederation, who have always looked for sources of revenue as a means of financing Canadian industry, have not discovered that, as money came into Canada by the front door for the development of our natural resources, the profits were leaving the country through the back door—via private wires to Wall Street.

During the war our governments and financial men successfully created a national policy of educating Canadian people to invest in Canadian government bonds. After the war our merchants and manufacturers adopted the same policy to educate our people to buy Made-in-Canada goods. It is only a step further to educate Canadians to invest and speculate in bonds and shares of Canadian industrial companies and Canadian mines; but, for some unexplainable reason, neither our governments nor financial men have done so. I think the explanation is that they did not know how to go about it. The facts of most situations can be stated very briefly

but the solutions require a presentation of much detail.

There are no complicated reasons why this continuous flow of money to Wall Street cannot be diverted into Canadian industry. It is very simple. All that is necessary is:

Create active and dependable markets in Canada for Canadian securities—stock exchanges that will function in the same efficient manner as the London and New York exchanges, which can be accomplished by the passing of sane and workable laws that will allow our brokers and stock exchanges to compete with the New York and London stock exchanges. Briefly it is only a matter of competition, plus:—

(a) A national and patriotic policy sponsored by Canadian governments and business men to educate the people to invest in Canadian industrial and mining companies.

(b) A tax on all foreign brokers doing business in Canada and a tax on all foreign securities sold in Canada.

We Canadians, as a nation, are exploiting our rich natural resources, turning these assets into cash and losing this money in foreign markets. Let us face the facts. People will gamble, speculate or invest—whatever one wishes to call it—but let us create workable stock exchanges that will give Canadians the same opportunities and facilities that exist in New York and London.

As a nation we Canadians should be the richest people in the world. Our assets in natural wealth

are beyond the dreams of the ancient kings. We have everything imaginable in materials that contribute to the support and maintenance of human life. For almost 100 years money has been coming to Canada for the exploration and development of our resources. During the years 1915 to 1930 our farmers became capitalists.

ADVERSE TRADE BALANCE

What have our people done with all this wealth in the form of actual cash? Let us look back ten years and recall a few events which have adversely affected our national trade:

(1) American Tariffs. Shutting out our wheat and cattle from our natural market, the United States of America with a consuming population of 120,000,000, greatly contributed to our adverse balance of trade with that country.

In my opinion unemployment in Canada and the discount on Canadian funds in New York are a direct result of American tariffs against Canadian products and our national error in not immediately retaliating against American products coming into Canada. The only reason that the Canadian dollar still retains such a high value in relation to world currencies is due to the production of our gold mines.

(2) The Canadian Wheat Pools. In 1920 Canadian wheat was selling at a premium on all European markets. These markets were established by many years of hard work by our grain brokers and merchants. The Pools, by their mistaken policy of

artificial prices and their entrance into politics, not only destroyed our foreign markets but bankrupted our grain merchants and eventually our Western farmers. We have lost the good will of our grain customers in foreign countries and have encouraged European countries to grow wheat.

(3) The absence of a Canadian financial policy and the folly of our financial men and institutions in sending their money to Wall Street, followed in 1930 by the prosecution of the Canadian brokerage business, when the whole stock exchange business of this country should have been investigated with the object of reform, control and supervision.

CHAPTER X

HOW UNITED STATES BROKERS OPERATE IN CANADA

THE disorganization of our brokerage business allowed New York brokers to establish themselves all over Canada (as hundreds of Canadian brokers were closed or were forced into bankruptcy). Early in 1930 representatives of our provincial attorneys-general held a conference in Toronto and framed new laws to prevent short selling by the Canadian broker. But they never even thought about the American broker. What they really did was to turn over the Canadian brokerage and stock exchange business to the American broker and promotor.

The following statistics were collected in September, 1930:—

“New York brokers are represented by branch offices, agents or correspondents in 28 cities in Canada. These branches are all served by leased wire systems, those in the large centres having several agents who are generally connected by wire loops from their main branch or have telephone connections. A survey of the number of firms in various

cities shows that there are 225 agents in Canada working to secure business for members of the New York stock exchanges and four working for similar institutions in Chicago. Figures for Toronto and Montreal are:—

“Toronto—direct wire agencies of New York brokers and correspondents—76.

—“Montreal—direct wire agencies of New York brokers and correspondents—57.

“In addition, many Canadian brokers put New York business through New York brokers in Canada by telephone.”

The stock exchanges through which this business is transacted are in New York, Chicago or some other American city. The head office of the American broker is in New York. His Canadian office, agent or correspondent is connected by private wire. The books and records of the business are kept at head office. The propaganda, advertising and other sales publicity are controlled from American cities. We never hear of a representative of our attorneys-general visiting the Canadian office of the New York broker to see if he is complying with Canadian laws, or to check up to see if he is carrying the securities of his Canadian clients or to see if the cash of his Canadian investors is in his Canadian bank account.

The Canadian broker cannot compete with the American broker doing business in Canada unless the same laws and regulations are applied to the American broker, his agents and correspondents, as to the Canadian broker. It is absolutely impossible

for Canadian authorities to effectually enforce Canadian laws and customs upon the American broker unless the American broker is forced to keep his books and records and records of all stock exchange transactions in Canada, together with all his customers' securities and credit balances and sufficient assets to protect his customers in Canada. Even with these conditions, the American broker could avoid Canadian laws unless the Canadian authorities periodically examined the books and records of the head offices in the United States. Enforce Canadian laws upon the American broker, his agents and correspondents, and make them carry in Canada the securities of his Canadian customers and I predict that in six months very few American brokers will be doing business in Canada.

SHORT SELLING

What difference is there in the actual results between the short selling as was the custom with Canadian brokers and the present methods of the New York brokers? The custom in Canada—and that used by Solloway, Mills and Company—was to loan stocks carried by the firm for the account of its customers and deposit the money received in the firm's bank account to serve as a protection and *liquid* reserve in a time of market panic. (The general legal opinion was that the stock remained the property of the broker until paid for in full by the

customer.) The methods used by the New York brokers are as follows:

- (1) To carry a short account with another broker.
- (2) To loan each other stock for the purpose of a short sale.
- (3) To have short accounts carried by special partners. (Large firms have many special partners).
- (4) To loan stocks through the loaning post on the floor of the New York Stock Exchange.
- (5) To loan stocks to customers, pools and syndicates.

In each case the broker receives the full value of the stock in cash and the money is placed in the broker's bank account. It is important to note that every New York broker reserves the privilege of borrowing his customers' securities for his own account.

During the Senate investigation in Washington, 1932, Mr. Whitney stated that the short sales just about equalled the amount of stocks bought on margin.

We read almost daily in the American and Canadian press such comments as "advances in the New York market caused by short covering" or "credited to pool operations" or "decline in the market attributed to short selling" or "liquidation of pools", etc. Under Canadian law it is a criminal offence for any broker or group of men to participate in any pool or short selling operations, so the New York broker can do in Canada that for which the Canadian broker would be put in jail.

All men in business or finance watch government

returns showing the balance between Canada and the other countries of the world but I venture to suggest that the money Canadians send to Wall Street each year equals the total sum of our exports to the United States.

As I look down upon St. James Street from Mount Royal and visualize the casualties and tragedies among the financial men during the past three years, I can almost see Canadian money floating through the ether on its way to Wall Street, and our financial men and institutions frantically engaged in carrying the bricks and mortar that are transformed into skyscrapers of New York City. How long will it be before there is another crash in the New York market, more margin calls and more casualties on St. James Street?

GAINS GREATER THAN LOSSES

We have heard a great deal about the money lost in Canadian mining and oil stocks. This propaganda has been directed against mining brokers and the mining industry but it is not based on fact. The Canadian people as a whole have made more money than has been lost. It may have changed hands but it still remains in Canada and supports Canadian industry. In addition, mining and oil stock speculation has brought millions of dollars into the country.

I was in our Montreal office one evening during the stock market collapse in November, 1929, when

a clerk from one of the Montreal Stock Exchange brokers doing a large business in New York stocks came into the office. He told us their margin clerks had been working until 12 o'clock every night for a week and their customers had lost millions. He said the margin calls they sent out called for anywhere from a few thousand dollars to \$25,000, \$50,000 and \$100,000. I asked the clerk in charge of our margin department to give me an idea of the total all our margin calls in Montreal office would amount to that day. He advised me that they would aggregate approximately \$20,000. I checked up the margin calls going out and found that the amounts were mostly \$25 and \$50, the largest amount being \$500. I have often thought of this incident because it illustrates what a wealthy country Canada would be if we could only show the Canadian investors the folly of sending their money to Wall Street.

CHAPTER XI

CANADIAN LAWS AS THEY AFFECT OUR STOCK EXCHANGES

DURING the winter of 1930-31 a man living in a Western town came to see me. He said his friends, including the leading doctor and banker, had bought during that year at least \$100,000 Cities Service bonds and stocks. I later learned that the agent for the Cities Service Company was our former manager in this town. During the same winter another one of our former managers in a Western town could not find employment and sold bonds in an American trust company. He wrote me that while money was scarce he was able to make wages. I could write of many such examples. I receive letters from all parts of Canada—often from people I do not know—who see and feel some of the disadvantages under which Canadian industry is laboring at the present time.

What has happened is that our brokers and financial men have lost confidence and are afraid that if they commence any activities in the way of financing and promoting industry they may infringe on some

of the sections of the Provincial Securities Frauds Act. The result is that the Canadian markets and Canadian people are being exploited by the American brokers and our mails are filled with American financial literature.

It is not the laws, nor the Securities Frauds Act, nor the men who have the difficult task of administering them, that are objectionable. The objection is that the Act itself and the powers of the Attorneys-General under the Act are not understandable to the average man. In fact I can state that few lawyers will undertake to put in writing a legal opinion as to the manner in which a brokerage business can function in all its departments and keep within the law.

The Provincial Securities Frauds Act gives the provincial attorney-general and his agents almost unlimited powers and wide interpretations of what is an offence or an infraction of the law. That is to say, the attorney-general and his law officers are the sole judges if the individual has committed a breach of the law and whether or not he should be arrested and charged with a criminal offence, with the result that to operate a brokerage business in Canada today with any degree of confidence or personal security the broker would be very foolhardy if he did not have, in writing, his lawyer's approval and also that of the attorney-general, of the manner in which he operated his business. I am confident most of our attorneys-general will agree with me

because I know what some of them think of the Act and the responsibility connected with its administration.

Unless we can develop stock exchanges—which are the financial markets of a nation—under laws that will allow our brokers to compete with foreign stock exchanges, our industrial progress will be delayed, while our industries will be seeking financial markets in foreign countries and our cities seeking jobs for our unemployed.

We must create machinery in which the public will have confidence if we are hoping to restore industrial progress and prosperity because it will be many years before the public will forget the losses they have suffered during the past few years.

MONTREAL AND TORONTO STOCK EXCHANGES

During the past thirty years both the Toronto and Montreal stock exchanges have catered to the New York Exchange business and have established in Canada a large business for the New York Stock Exchange and its members, instead of educating Canadians to invest and speculate in Canadian securities and adopting a policy of developing business in Canada for their own stock exchanges.

I have little doubt that this mistaken policy was forced upon the members of these exchanges because they found Canadian laws, customs and usages did not allow them to function profitably and that, by

doing business with New York, they avoided Canadian laws.

Our newspapers devote more space on their financial pages to American markets and industrial concerns than they do to Canadian markets and Canadian industry.

We must educate the owners of our newspapers that it is in their interest and the nation's interest for them to make every effort to create Canadian stock markets and industrial activities.

Tariffs between nations seem permanent because labor organizations in all countries will continue to advocate that home markets be protected in order to create work for the maintenance of their own people and because few nations have the gold to pay for foreign goods. Canadians who think as I do must work to create and protect Canadian markets so that, as we develop our natural resources, a larger proportion of the wealth we produce will remain in Canada to create employment for Canadians.

A careful review of the following figures on unemployment plainly shows that there must be something wrong with our national policy when a large country such as Canada with a small population should have a larger percentage of unemployment than over-populated European countries. I believe that the lack of Canadian financial markets, with the continuous outflow of Canadian money to the New York market, are greatly responsible for our present unemployment problems.

France, as of October 15, 1932:

Population: 40,745,874. Unemployed: 251,083.

Italy, as of July, 1932:

Population: 42,118,835. Unemployed: 931,291.

Great Britain, 1932:

Population: 37,354,917. Unemployed: 1,500,000
(approx. average).

Canada, June 1, 1931 (latest official figures):

Population: 10,000,000 (approx). Unemployed:
471,668.

In a statement made by Hon. W. A. Gordon, Minister of Labor, November 16, 1932, he said that Canada had 800,000 men, women and children receiving relief.

CHAPTER XII

PROPOSAL FOR RE-ORGANIZATION OF EXCHANGES

THE ideal stock exchange must be so organized as to give the public the maximum service and protection at a minimum of cost. The service should be available to all classes of the public in all parts of Canada.

The exchange should function in the same manner as our Dominion government. It would be a "government" in authority over all its members and companies whose securities are sold on the exchange. The president, much in the same manner as the premier of Canada, should be held responsible for the management of the exchange. The exchange itself should be held responsible for the service its members give to the public—for the observance of all laws governing exchange transactions—for the solvency of its members—for the securities traded on the exchange—and many other subjects.

Canadian stock exchanges should have a national financial policy of developing Canadian business and of financing Canadian industry, which would retain

money for Canadian industry and bring money into Canada for Canadian industry.

The office of president of an exchange should carry a large salary. When appointed the president should give up all private business and should not even be allowed to trade or speculate for his own account.

The exchange itself would lease and control all private wires used by its members. A system of private wires would connect the exchange with all important towns and cities throughout Canada. The smaller towns and villages would connect with these wires by telephone, thus bringing the financial markets not only of Canada but of the world to people in all sections of the country, at the same time bringing together; on the exchange, buyers and sellers from all parts of the country. Thus we would establish active security markets in Toronto and Montreal equal to those of New York and London.

In addition to committees charged with the administration of the business of the exchange, the exchange would have a legal department and an audit department. An able lawyer and accountant, respectively, would be in charge of these departments which would be responsible for the supervision and inspection of exchange members and of the securities accorded listing privileges. The departments would be constantly examining semi-annual reports and statements of all companies whose securities are

traded on the exchange. All information secured by these departments should be promptly passed on to the public over the exchange wire system after the close of the market each day.

Under a well-organized system of supervision and inspection of exchange members and of the companies, 95 per cent. of the public's losses through bankruptcy, mismanagement, dishonesty and manipulation would be avoided. Such disasters as those of the Krueger, Hatry and Insull companies would be impossible. In addition the exchange should find some way of controlling such a situation as existed in the United States during the years 1928 and 1929 when a wave of over-expansion and amalgamation swept the country, followed by the uncontrolled sale to the public of enormous amounts of foreign bonds.

All foreign securities sold in Canada to the Canadian public should be carefully analyzed by the stock exchange and be accorded listing privileges. Other measures also should be taken to control the sale of foreign securities to Canadian people through the mail and also to control financial propaganda coming to this country.

A stock exchange should function in such a manner that the investor would know that, when he purchased a security through an exchange member, everything possible was being done to protect his investment and that he was getting the maximum of service for the commission he paid the broker. He

would know, also, that the daily market prices of securities were governed by (1) the actual merits of the company, gauged by a wide public opinion, and (2) by the natural law of supply and demand. He would know that when he made an investment in any security or proposition *which was not dealt in on the stock exchange*, he would have to take full responsibility himself—that there must be some good reason why the security was not under the control and supervision of the stock exchange.

The government should pass a law that all securities issued by an incorporated company, including trusts and banks, must not be offered for sale to the public until they have passed the examination of the stock exchange committee and that all such corporation securities must only be dealt with through the exchange—in other words, no securities of an incorporated company should be sold to the public except through the stock exchange.

The exchange would regulate its revenue by collecting from its members a percentage on all transactions in the same manner that governments collect the sales tax on securities. Thus the expenditures of the exchange would be equally taxed on the business done by all its members.

All offices of stock exchange brokers should be organized and arranged in the same manner, with departments properly designated, such as:—Information, Order, Credit, Stock, Bond, Accounts, etc.

No broker should be allowed to give information, opinions or advice that would not be approved by the exchange and should not accept business or open an account for a customer until the individual's identity and credit had been established. This rule would protect the broker from bad accounts and dishonest individuals and would also prevent the individual from speculating on the market with stolen funds or money entrusted to his care. As an example, the broker would know that a bank clerk would not have thousands of dollars of his own money with which to speculate.

There are many other reforms and responsibilities which a well-organized exchange could bring about that would result in creating financial markets which, in time, would create industrial activity by bringing money into the country and divert Canadian money now going to Wall Street into Canadian industry.

PRESENT EXCHANGES SHOULD AMALGAMATE

I propose that the Montreal Stock Exchange, Montreal Curb Market, Toronto Stock Exchange and the Standard Stock and Mining Exchange should be formed into a "national stock exchange" with the president, appointed by the government, having the power of a dictator. There is no necessity for four organizations with the additional operating expense. The new exchange would have one branch in Toronto and one in Montreal. The trading structure of the

exchange would consist of a Bond, Industrial, Mining and a Curb department. The Curb department should be open for the listing of all the new and speculative issues of every kind and would be subject to much more lenient inspection than that applied to the better class of securities. Both of the branches would be connected by private wires and would function as one exchange.

I propose that all bond and issuing houses be brought under the supervision of the "national exchange" and that the exchange members be divided into two classes: (1) regular brokers, who do business with the public, and (2) brokers known as "specialists" or "jobbers", who deal only for themselves and for other brokers.

The exchange would regulate the number of brokers' offices in a town or city. It is not in the public interest for any town or city to have more brokers than the available business will support on a profitable basis. Under present conditions many so-called brokers give little or no service, are not financially responsible and certainly do not give service for the commissions received. I know of no broker in Canada at the present time who is giving the public a service commensurate with the commissions charged. As an example, John Brown sells 1,000 shares of stock at \$50. He pays the Canadian or New York broker \$175. John Jones buys the 1,000 shares of stock sold by John Brown. The complete transaction

costs these two individuals \$350 commission and \$90 government tax. Both transactions are phoned into the exchange and completed in a few minutes. Now \$440 is a great deal of money—it is as much as the average working man earns in four and a half months and on which he will support a family. What service did either the exchange, the broker or the government render these two investors to warrant the collection of \$440? The result under our present system is that the public is paying too high a price for services received, which reacts unfavorably on financial markets, on the brokerage business itself and is a detriment to industrial progress. Properly organized services rendered by the exchange, the broker and the government would warrant not only the present charges to the investor but even an increase in them.

What the investing and speculating public is paying for in Canada today is the cost of operating and maintaining two stock exchanges in Montreal, two exchanges in Toronto, between three and four hundred brokers, their office expenses and staffs. The business available would just about support one good brokerage organization which would give the public an efficient service across Canada. The result is, speaking in a general way, that we have no financial markets and no brokers or brokerage machinery that are efficient or in which the public has confidence. Under present conditions not even our governments

have the confidence of the people and so we send our money to Wall Street.

How ridiculous for Canada (in natural resources we are the richest country in the world with a small population of 10,000,000 people) to have an unemployment problem, breadlines and relief funds. I do not subscribe to the theory that the world-wide depression is responsible for our troubles. Here in Canada I see marvelous opportunities for the investment of capital—so much work to do that we could put a million men to work. How can the men responsible blame the depression for the financial losses which the Canadian investor has suffered during the past few years by failure of many companies to earn dividends and by the brokers who have gone into bankruptcy owing the public millions of dollars? These industrial concerns have failed because, in the days of prosperity, instead of a sound business policy of conserving their resources to carry them over a period of business inactivity, they dissipated their assets and resources in a policy of expansion, manipulation and speculation. What has the depression to do with a broker going bankrupt and owing his customers millions of dollars? His functions are not to be responsible for the investments and speculations of his customers.

Had we a well-organized exchange sitting in judgment, constantly watching and checking up on the activities of these industrial concerns and on their

own member brokers, these failures could not have occurred; we as a nation would have a smaller unemployment problem and our industries would not be seeking financial markets in foreign countries.

CHAPTER XIII

FINANCING—A COMPLICATED BUSINESS

THE stock exchange and brokerage business and the financing of industries is a complicated business. Men who have spent a lifetime in the business would be the logical executives and directors of a well-organized exchange and would be better qualified to investigate and prosecute than government officials who know little or nothing of the complicated machinery of financial markets, while under them the public would be getting value for the money it pays in the form of government tax and brokerage commissions. Under our present system the investing public does all the paying, takes all the risks, suffers all the losses, gets neither service nor protection, and when a company or broker goes into bankruptcy it is helpless. The public cannot go to the exchange, the broker or the government and say, "You are responsible".

The average investor is a laboring man, shop-keeper or professional man and knows little or nothing of the numerous technical and legal items which make a security good, fair or bad. The same

applies when a company makes a public sale of its securities or when a company calls a shareholders' meeting to get the shareholders' approval of some major transaction. Here again the exchange's legal and audit departments should be called upon to approve or disapprove before the company directors sell their securities to the public and before they present any statement or business proposition to their shareholders. Investors and shareholders would then know that the company's affairs and the propositions presented to them by the directors had been examined by the exchange experts.

The exchange would secure its authority and limit its liabilities by agreements between the exchange, its member brokers and the companies whose securities are traded on the exchange. The decisions of the management committee would be final and the agreements entered into between the exchange, its members and the companies would provide that the exchange accepted no legal or financial liability. The exchange would be responsible only to the government under a special act of parliament to cover the special object of controlling stock exchanges and securities transactions. The object to be attained is that the exchange would assume a great many duties in the control and supervision of the buying and selling of securities that would create active and open markets governed by the law of supply and demand. In other words, it would be a "government"

organizing and administering the financial markets of a nation.

The exchange could bring about many economies which would react to the benefit of both the broker and the public. All economies introduced to cheapen the operating expenses of the broker and the exchange could be passed on to the public in the form of additional services. As an example, the exchange could introduce a standard system of doing business amongst its members (receiving all the benefits that one of our large banking systems enjoy) such as a uniform system of broker's offices, uniform system of bookkeeping, stationery, office supplies and equipment. The exchange, buying in large quantities, would save the broker 50 per cent. on his present system of making purchases and on his operating expenses.

A STANDARD SYSTEM

The exchange's legal and audit departments would do all the legal and audit work of its members. This item alone would greatly reduce the broker's expense. The exchange would provide the private wires in a manner which would greatly reduce the cost of this item. The government would save a great deal of money in collecting sales and income taxes. Instead of making its own inspection of each broker, it could rely on the exchange audit department. Another important result would be that

every exchange broker would be equipped to give the utmost in brokerage service to his customers.

Our present system of conducting stock exchange and brokerage concerns is not only bad, but wrong. Under our present system almost any one can call himself a broker, open a broker's office and place himself in a position to have in his possession and under his control huge sums of the public's money. The banker, lawyer and doctor must have years of special training to qualify as such, but the broker requires no qualifications whatever.

I have in mind that the Provincial Securities Frauds Prevention Acts were intended to control and supervise some of the matters referred to, but for many reasons the Acts are not suitable for the regulation and control of stock exchanges, stock exchange brokers and stock exchange securities. The Acts are bad in law, subject to all political influence, are difficult to administer with equal justice to all and are administered by men who have had little or no experience in the business they are charged with administering. The Acts do not create business. In my opinion the stock exchange should be charged with the responsibility of controlling and supervising the financial markets of Canada, with the governments of Canada responsible that the stock exchanges perform their duties in such a way to protect the investing public and give the maximum of service for the revenue received by the exchange.

The governments should, at the same time, promote a national business policy of creating and financing industrial progress.

CREATE AN OPEN AND FREE MARKET FOR
SHORT SELLING.

If governments, banks, financial institutions and the public are to have confidence in financial markets and stock exchanges it is necessary that all of the methods employed in the business are known to the public. Generally speaking there is always a free and open market where the public may buy for the long account but selling for the short account is practically a monopoly enjoyed by the broker, more particularly the large margin house. I am not going into detail as to the manner in which this monopoly is exercised or the advantages of it to the broker. If I attempted to include many details, this whole subject would become too technical to hold the interest of the average person whom I wish to reach.

If we are to create a well-organized stock exchange that, in turn, will create dependable financial markets, there must be as free a market for the general public to sell for the decline as there is to buy for the rise.

As long as the broker is allowed to carry on a business of broker and banker or money lender combined there will always be failures and abuses. As long as the broker has in his possession or under

his control large amounts of the public's securities and money, there will always be the temptation to use them for his own account and to his own advantage. A broker's business should be confined to the buying and selling for the public. If he wants to speculate and invest, then we must see that he uses his own money and that the general public has the same opportunities of selling for the short account as the broker.

There are good reasons why it is not desirable to forbid or restrict the broker from speculating for his own account as long as he uses his own resources and has no more advantage than the public in borrowing the stock for the short account.

In order to accomplish this object my proposal is that the loaning of monies on stock exchange securities should be conducted by a separate company which would loan money to the margin buyer under an agreement that the company could and would reloan the securities for the purpose of a short sale. The loaning company would have a department in each broker's office where the trader could conveniently arrange for his credit to buy stocks or arrange for the stocks to sell for the short account, or where the investor who owns the stock outright could take it and arrange to loan his stock for the short account. This loaning company would be under the control and supervision of the exchange, having practically a monopoly on this particular sphere of the business.

FINANCING—A COMPLICATED BUSINESS 79

It should receive its working capital by public subscription, limiting the amount of shares any one individual could own. There would be no objection to the broker being a shareholder provided he was not an officer or director. The exchange would be responsible that the loaning company's business was so conducted that a limit would be placed on the amount of stock loaned to one individual so the supply of stocks available for the short account could not be monopolized or cornered by some powerful financial group or pool. Some special consideration could be allowed by the exchange regarding the loaning of stocks for the short account to the specialist and jobber, as these men play a very important part in the creation of a reliable market and should always have a reasonable supply of stocks for their operations.

Generally speaking, the only stock available under our present system for the short account is the stock purchased on margin by the general public which is in the control of the broker. The investor who buys stocks outright and secures the certificates has not taken advantage of loaning his stock, because there has not been the proper machinery by way of an individual or company specializing in the loaning of securities whereby the investor can profitably, and with safety, loan his stocks. Every investor should be familiar with the speculative possibilities of selling for the decline and of the im-

portant part the short position plays in creating and maintaining reliable markets—where the seller can always find a buyer and the buyer a seller. This would make it an absolute impossibility for promoters to unload stocks which have no merit on the public.

SUPPLY AND DEMAND FOR THE SHORT ACCOUNT

Under our present system of financial markets there is almost an unlimited supply of money or credit for the purchase for the long account but the supply of stocks for the short account is limited. It is my opinion that, once the machinery were established whereby the investor could loan his stock with security and profit, there would be a supply of stocks for the short account equal to the money or credit for the long account. Thus we would bring into full play the law of supply and demand—opening up to the public and the business world many new avenues and possibilities—bringing about financial markets where credit could be turned into cash—frozen assets into liquid assets. The business man would not have to use so much capital if many of his frozen assets could be kept liquid. Many advantages would accrue to the banks, practically removing the causes of all bank failures. Banks often must refuse to lend money, not because the security offered is not good, but because they have not the confidence in finding a market that will absorb a large block of

stock or bonds should the bank or its customers want to sell on short notice.

I care not for the depression or the public debt, or for the troubles of the world in general. There have always been troubles and obstacles to progress, and I presume there always will be. There are business opportunities in every province in Canada, waiting for men with a little capital and energy which, in turn, will create industry and employment. But in my opinion all these opportunities, together with the capital and labor employed in them, will not bring Canada or Canadian industry and labor a measure of prosperity (not even trade within the Empire) until our authorities and financial men get together and create financial markets in Canada for Canadian industry that will not only stop our money from going to Wall Street but will bring money from all parts of the world.

Sitting around a campfire one evening during the Cobalt days, I heard a wise old man say, "You cannot develop the industry of a country or finance mining development without stock markets." Surely we Canadians can develop stock markets in Canada equal to New York and London that will keep money in this country to finance Canadian industry.

CHAPTER XIV

THE LAW OF SUPPLY AND DEMAND

IN my opinion the markets of the world and the prices of every thing in the world should be governed by the law of supply and demand, except on exceptional occasions such as the outbreak of war.

The surest and best remedy for over-production is to allow the product to become cheap. Then men will find uses for it and use up the over-production, or the producer will stop producing temporarily. For example, let us take wheat. There is only one way in which to dispose of it and that is to use it and get rid of the over-production. The cheaper it gets the more uses will be found for it, more people will be able to buy and eat it and it will be used to feed all kinds of animals. Less will be grown and, in a short period of time, the over-production will disappear and normal prices will be re-established. The forming of pools or the use of government money to buy and store wheat or any other article gets the producer nowhere because buying and storing does not consume.

The same law of supply and demand applies to everything that man produces and consumes. Of course the cure—the law of supply and demand—is very cruel and disastrous to a great many people. But natural laws, if not interfered with by man, soon teach their lesson. Man will soon take precautions against over-production or be prepared to take his punishment if he errs in judgment, providing he has no reason to blame others for his mistakes. Let the law of demand govern the price if there is a shortage of any commodity or article. The buyer or consumer pays a higher price, to the advantage of the producer. As soon as anything reaches an abnormally high price there is always a rush to produce in order to profit by the demand and in a short time the supply equals the demand.

The law of individual competition works the same way in the marketing of commodities or merchandise. The law of self-preservation and the desire to succeed drive the individual to exert his greatest effort to find markets to outdo his competitor. This competition not only sells the product but creates markets and uses, establishing stable and permanent markets at the same time.

The laws of supply and demand and competition are much more important in our modern industrial life than most people realize because they are exacting laws. They keep the producer up to a high standard of efficiency and they are laws with which the schemer finds it difficult to tamper.

The success of promoters in getting producers and speculators to join a pool or organization to maintain or manipulate the price of any commercial article is possible because it appeals to the greed in man to get something for nothing, to get an advantage over his competitor or to take an unfair advantage of the consumer.

CHAPTER XV

CANADA

CANADA wake up! You sleep, the sun is shining. The clouds of depression are passing. Last night you camped at the cross-roads. Today you will have to travel new roads that lead in all directions. As many of them are not modern highways, you will make many detours, but if you drive carefully you will reach your destination.

Some of the roads you will travel are new modern highways which cost the country a lot of money. You can drive as fast as you like on these roads, so fast that you will not see the green fields or the beauty of the country as you race along. These are the roads that you know—you have been travelling on these roads for a good many years. They lead to the top of a precipice, so be careful that you put on the brakes in time before you topple over.

Some will take you through our modern cities in which you will observe the new parliament buildings of our too-many governments. You will not be interested in the countryside because there are so many other things to attract your attention. You

must drive fast on these modern highways or you will block the traffic. Do not envy other people who drive finer automobiles than you do, because they have been purchased on the instalment system. You will see many large public buildings, that are not paid for but you need not worry. The next generation will pay for these show-places and we still have sufficient natural resources which we can exploit to maintain our modern cities during our lifetime.

As you drive through the cities you will observe the luxury and gaiety of the people, but if you stop and park on a side street you will find, underneath the surface, this gaiety is but pretence, the people are discontented and there is much misery. You will observe the unemployed in poverty standing in breadlines.

When you leave the paved highways you will travel over roads that were built a long time ago by the pioneers who came to this country in the days before the automobile. You will find these roads rough in places, especially after you have been accustomed to driving on pavements.

Once you get back into the country and away from the "main street" you will see men and women working in the fields. You will drive through towns and villages where people are happy and contented. They have not much money but there are no unemployed and no breadlines. They are rich in the simple things of life. They are not burdened with

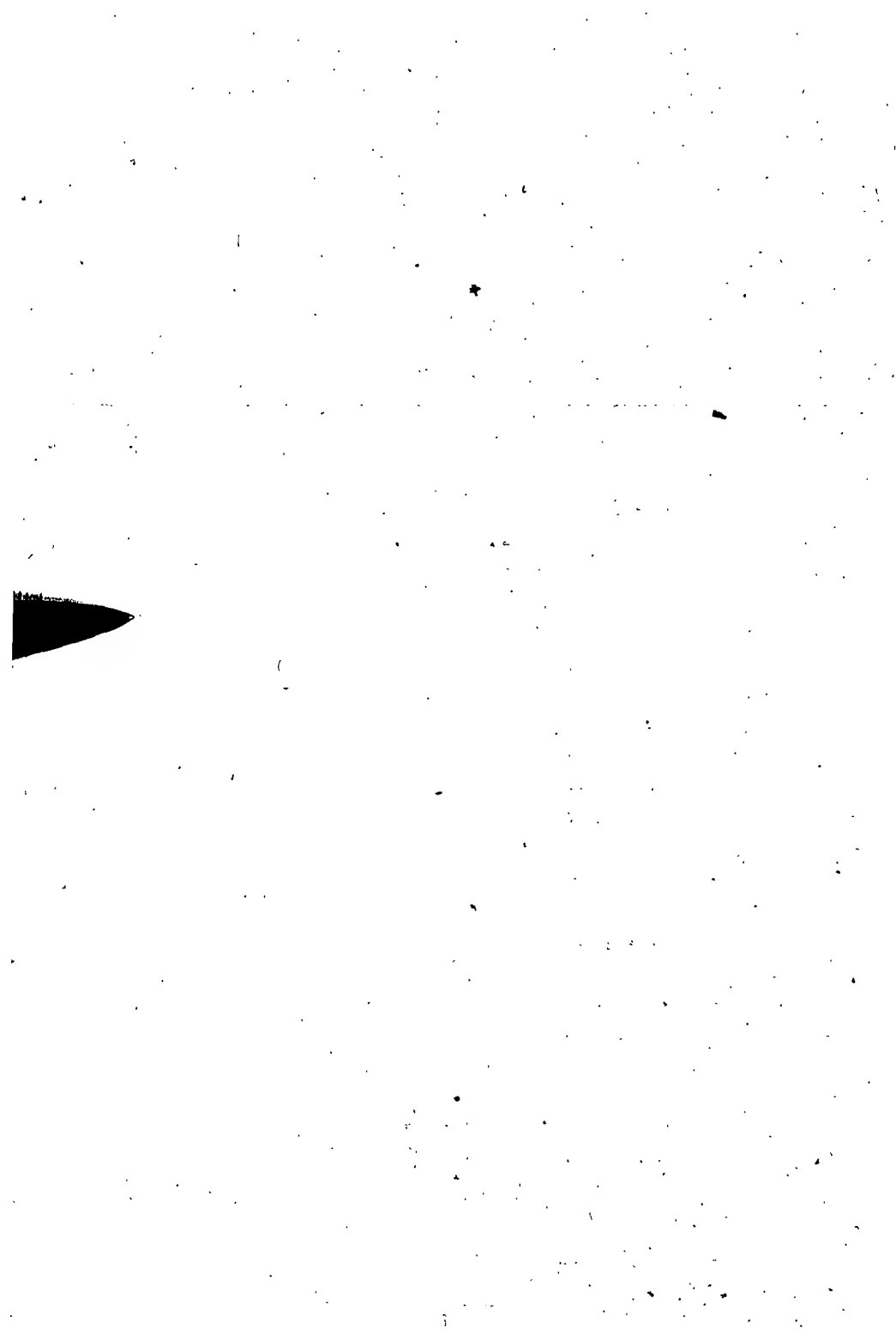
taxation. They live long to see their children grow up around them. They are contented and happy because they know that, in their old age, their children will provide for them and because they live close to the land. They see the sun rise and set, each day they marvel at the beauty of the earth and the skies. They have found the Paradise that their forefathers dreamt of many years ago when they left the crowded cities of Europe to find economic independence in North America. In those days the men they sent to parliament were continuously watching to protect the interests of the people; they did not spend much time in making long speeches to further the interests of party politics. They were steeped in the traditions of their day and did not understand the principles of modern politics.

The roads through the north are quite rough and narrow. They were built before the days of aeroplanes and when men used canoes to travel up rivers and over lakes or cut trails through the forests over which they carried heavy loads on their backs. In your travels you will see a few cabins that may mark the sites of industrial centres of tomorrow. All around you and far to the north you view a country containing great natural resources in minerals of all description, in electric energy in the form of water-sites, in timber and in the richness of the soil. Its climate may be cold in winter but it produces a hardy race of people.

And when you return to the cross-roads from whence you started, you must decide which road you are to travel in the years immediately ahead. Will it be the modern highway of piling up national debts or the rough road of sane policies that will lead to national security?

PART II

THE SOLLOWAY, MILLS BUSINESS.



CHAPTER I

THE RISE OF THE BUSINESS

THE story of Solloway, Mills and Company, mining brokers, is a business romance seldom equalled in any country of the world. It was started in Toronto, Ontario, on February 1, 1926, with a capital of \$17,000. We had no experience and were practically unknown. In the short space of four years we were doing business with over 70,000 customers, through forty offices (thirty-five in Canada, three in the United States, one in Newfoundland and one in London, England), and transmitting thousands of orders daily over a private wire system of 13,500 miles, which connected us with the fourteen stock exchanges of which we were members and other exchanges in Canada and the United States by affiliations with other brokers. We had a staff of 1,500 employees who daily handled thousands of orders for stocks and grain, the value of which ran into many millions of dollars. (I remember one Saturday obtaining the information from head office that during the two-hour session of the exchange we had transacted a volume of over \$10,000,000 of business.)

We dealt in the most speculative securities in the commercial world—mining and oil stocks of every description—and grain options. We had a business that created industrial development and employment from which practically every business in Canada benefitted, creating large revenue for governments in the form of securities tax and other levies, keeping money actively employed in Canada and bringing millions of foreign money into the country for speculative employment in the building up of Canadian mining and oil industry.

THE THEORY THAT WORKED

This all came about because I had ideas and theories that worked successfully when put into actual operation. The object of these ideas and theories in the main was to give a complete brokerage service to the public, which created, within the organization of Solloway, Mills and Company and throughout Canada, a market not only where the public could buy stocks but where they could sell stocks—a market that operated according to the law of supply and demand governed by the opinion of the people. In order to work out my theories I had to build an organization that would serve the public in all parts of the Dominion and bring the markets of New York, Chicago, Toronto, Montreal and Western cities to the people so that we could, within

a minute, bring buyers and sellers in all parts of Canada into contact with any stock exchange in Canada and the United States.

During the early days of the Company when I had insufficient capital, Harvey Mills worked hard in his own business and lived economically so that he could send me every possible dollar for the Solloway, Mills business. During those years my wife lived very economically with the object that, as we made money and sold personal assets, we could put every dollar into the enterprise.

MY EARLY EXPERIENCES AND OPERATIONS

From the time of the first discoveries of silver in Cobalt in 1904 until 1916, when I joined the Army, I had been more or less occupied in prospecting and mining in Northern Ontario. Thus, when I returned from the War in 1919, I was, like most other returned men, looking for an occupation. I returned to Northern Ontario but found, for numerous reasons, that it was almost impossible to raise money for mining development. As I recall it, one of the reasons was that the prospector was discouraged from going into the outlying districts because people would say a mine over twenty miles from a railroad could not operate without some better means of transportation than then existed. So one of the obstacles in raising capital at that time was the lack of transportation facilities. The other important

drawback was the lack of money for prospecting and development.

On my visits to Toronto during the summer of 1919 I observed that most of the men I knew who had money and who were good enough sports to put up some funds for prospecting and mining development were playing the New York market. I also observed that when I went into a mining broker's office I generally would have to climb one or two flights of stairs. I would then come up against a counter behind which sat a girl. The broker himself would be in his private office. My observations, as I remember them during the years immediately following the war, indicated to me there was not much brokerage business.

If a man walked into a broker's office and gave an order to buy 1,000 shares of a mining stock at twenty-five cents, the average broker would shop around for an hour or two to try to buy that stock at twenty-four cents, or perhaps cheaper, in order to make a few cents for himself. The same thing applied when a man wanted to sell, say at twenty-five cents. The broker would take a little time to sell it at twenty-six or twenty-seven cents in order to make a profit out of the transaction. He also would have shares in a mining proposition of his own and would quite often try to induce the customer to buy some of his stock rather than that listed on the exchange.

The best money-maker the average broker had was some stock on option from a mining company at ten cents or more a share, which he would sell for, say, thirty-five cents a share. If he paid the mining company fifteen or twenty-five cents a share for the stock, he would sell it at anywhere from fifty cents to \$1 per share. In order to do this he had salesmen who went out into the country on a Monday morning and returned on Saturday. The duty of these salesmen was to sell to the farmers and shopkeepers in small towns and, during the evenings, call upon working people and shopkeepers in the cities. He reached a great many of this class of people by having some of his salesmen working on telephones from his office.

Traders and investors in those days were not so plentiful as they are now and the mining companies, getting only ten and fifteen cents a share for their stock, never had enough money to get useful work done. By the time they would get a little equipment and some supplies transported back into the woods, they would run out of funds. The people are still wondering what happened to their money. What really transpired was that at least eighty per cent. of it was used up in broker's and salesmen's commissions and expenses. The percentage that reached the mining company was of little or no use while most of the money the broker received was also eaten up in expenses. The business did not result

in profit to the broker or the mining company; and the investor often did not even get a run for his money.

As a young man I observed the industrial progress and prosperity which the development of the North brought to the city of Toronto and other industrial centres of Ontario. Since these early observations I have always advocated the importance of the home market in the industrial development of Canada. When I eventually decided to go into the brokerage business, I had had experience in mining in Northern Ontario and Quebec and I had an abundance of faith in the possibilities of mining. I had experience by way of observation as to how people were trying to finance mining development and I had been deeply impressed with the consuming capacity of the North and the market which the opening up of the North country offered the industrial centres of Southern Ontario. My main object in going into the brokerage business was to create some new way of financing mining companies so that a company could obtain sufficient money to accomplish a large program of development work.



*Air view of Toronto.
Industrial progress which development of Northern Ontario brought to the city of Toronto.*

CHAPTER II

HOW I COMMENCED BUSINESS

WHEN I decided to launch into the brokerage business. I did not have sufficient capital myself but I was very fortunate in interesting Mr. Harvey Mills of Niagara Falls, N. Y. Mills operated a tobacco and newspaper shop and had a business which, at that time, was bringing him in an income of \$15,000 a year. He had been in the habit of spending his vacations in the North country and grubstaking different prospectors. It was through one of the prospectors he was grubstaking that I met him in 1923. I was most fortunate, not only in getting Harvey Mills interested, but in the securing of him as a partner. No man ever had a more loyal and devoted partner than I had in Harvey Mills.

In looking for an office, Mills and I decided we would rent a street floor location, so we selected one on the ground floor of the Metropolitan Building, Toronto. It was located inside the building but, in order to get to the elevators, people must pass the door of our office. Along the corridor was a large plate glass window, and the people could stand

there and look into the office. It was only a small office—thirty by twenty-five feet.

We opened for business on February 1, 1926, with one stenographer-bookkeeper—a young girl of about 18 years of age who had had only a few months' experience in office work; a young man of eighteen to mark the board and do errands, who had had a few months' experience doing the same work for the Standard Stock and Mining Exchange. I personally had no experience whatever in the brokerage business and knew nothing about bookkeeping. I have always refused to learn anything about technical accounting because I do not like it; so I still do not know anything about it, except that by looking at a statement I know whether a proposition is making or losing money, which is all I am interested in. I had never worked in an office and had no knowledge of office work. As some of my friends often said, about all I had was a few ideas.

I had no private office. My bookkeeper-stenographer and I had desks out in the open in the one public office. When a customer came in to give me an order to buy or sell some stock, he heard me 'phone his order into the exchange. Within a minute I could tell him the market price and quite often his order would be executed within a minute or two. If he told me to sell at twenty-five and I could get him twenty-six or more, he always got the price at which I actually sold the stock. If he gave me an order

to buy some stock at twenty-five cents and I could buy it at twenty-three, he got it at twenty-three. Besides, I had no promotion stock of my own to sell. I was interested in no stock, so it made no difference to me whether the people were buyers or sellers. The result of this policy was that in about six months I had to employ a man to do nothing else but look after the trading. I gave him a desk so situated in the centre of the office that customers could get around him, hear their orders 'phoned into the exchange and receive the confirmations as they came back.

The news soon travelled amongst the traders that they could go to Solloway, Mills and get quick service and good price. Within eight months the office became too small. Customers would come to the office before the market opened at 10 o'clock in order to get standing room around the trader. The halls and rotunda of the Metropolitan Building would be crowded with customers looking into the office through the large plate-glass window. This necessitated our securing further office room in the Metropolitan Building to take care of the expansion of business, until in 1929 the firm occupied almost two floors of this building, with a staff of 225 men and women.

THE FIRST SIX MONTHS

During the first two months, I tried to make office expenses by doing a little trading in the market for

my own account. About the middle of March a violent break came in the market. Noranda was selling at about \$19 and one day fell to a low of \$12. I had some Noranda that I had bought with the object of making a small profit and when the market broke to \$14 I sold and also went short a thousand shares. The same day a friend of Mills' in Niagara Falls 'phoned up and gave me an order to sell 500 Noranda. It afterwards turned out that this chap was selling short. In addition, I had allowed two friends to operate a margin account on a very slim margin in some very speculative stocks and, as they had no money, I was forced to sell out their account, suffering a loss of a few thousand dollars. The next day the market rallied and Noranda sold up to \$18 and, failing to receive the certificates in the mail from my customer in Niagara Falls, I learned that he did not have the stock and had no money. That night and the following day I was in a bit of a panic. Including the loss I had taken on my Noranda stock and the loss I would have to take to buy in the Noranda I was short and that which my customer in Niagara Falls was short, I had lost our working capital.

I telephoned Harvey Mills to come to Toronto as I wanted to see him, briefly telling him over the 'phone what had happened. He arrived that evening and I recall that I had almost decided I would never make a success of the brokerage business. I

was thinking very seriously of closing up. In order to cheer me, Mills said: "Never mind. I told you that I had given you all the money I had but I have a few more thousand dollars in different savings accounts about which I did not tell you. I will go back to Niagara Falls, gather together all the money I have and send you every dollar I can." Mills went back to Niagara Falls and was able to send me \$7,000 within a few days, with the result that I went back to work next day with a determination to make good and to pursue a more cautious policy of doing business. That same day I got a bid from a Hamilton broker for 3,000 shares of an unlisted stock at \$1 per share, which I was able to purchase from another broker at sixty-five cents, making a profit of \$1,050 on the transaction.

For the next few months we concentrated on the buying and selling of unlisted stocks. We would keep a daily account of our earnings and at the end of the week we would estimate our operating expenses and our profits for the week. If we made \$200 profit for the week, we would spend \$100 in the following week on advertising. When our profits grew so that we made \$1,000 a week, we would spend \$500 a week in advertising and, in addition, we would spend money in sending some of my old mining acquaintances to different mines to keep us advised constantly of developments. We would also spend money in other ways to give more service

to our customers after they were attracted to our office through advertising. In the meantime, Mills and I were disposing of every personal asset that we could turn into cash, living economically, putting all the money we could into the business and continuously increasing the service we were giving our clients.

Looking back over the years that we were building up the Solloway, Mills business, my observations are that while Mills and I were working from early morning until late at night and building up the financial resources of the firm, many of our competitors in the brokerage business were operating on borrowed capital. When they made some money they were leaving the office in the middle of the afternoon to play golf or go on a holiday and, generally, living beyond their means. This is another reason why Solloway, Mills were financially solvent at a time when other brokers throughout Canada were going into liquidation.

CHAPTER III

AN ERA OF PUBLIC SPECULATION

DURING the winter and spring months of 1927 speculating in stocks by the public began to be popular. By this time I not only had one or two men in the North country sending me daily information on developments at the mines but many of my friends among the prospectors and mining men were sending valuable facts and data. All such information was immediately placed on the walls of the office in the same form as I received it—in the language of the prospector and miner. At this time we got some very good news on Amulet. The company had some drills working and, as I had friends working at the mine, I would quite often get important news before the mine's own head office would receive it and often several days in advance of the rest of the brokers.

We became active in Amulet stock around \$1 a share and it eventually went as high as \$7, with the result that Solloway, Mills' customers made a huge profit. Naturally, this greatly increased the prestige of the Company, gave our customers plenty of

money with which to trade in the market. Our business grew rapidly.

In the fall of 1927, we became interested in a stock called Bidgood. The company's property was close to the producing mines of Kirkland Lake. It had found some very good ore on the 100-foot level and was continuing its shaft to the 200-foot level, then to crosscut to open up the vein on this level. The ore on the 100-foot level had all the appearance of continuing at depth. This happened shortly after the mines of Kirkland Lake had found large quantities of ore and after such stocks as Teck Hughes, Lake Shore and Wright-Hargreaves had risen from a few cents to several dollars per share. It looked, therefore, like a good speculation that Bidgood would meet with the same results as the other mines, and Solloway, Mills and their customers got in on Bidgood around fifty cents to \$1.50.

The stock eventually went up to approximately \$1.80 but, unfortunately, when the crosscut reached the vein the ore had not continued down. While many of our customers had sold out and taken a profit, many did not sell and eventually suffered losses. Once again I had gained experience. I found that it was all right for the broker when clients made money but that the broker had a lot of grief when things did not turn out right and customers lost money, with the result that I changed our policy so that we would not take too much re-

sponsibility in advising clients either to buy or to sell. I instructed the customers' men that, when giving advice, they should always protect themselves against the firm being held responsible for the trading activities of its customers.

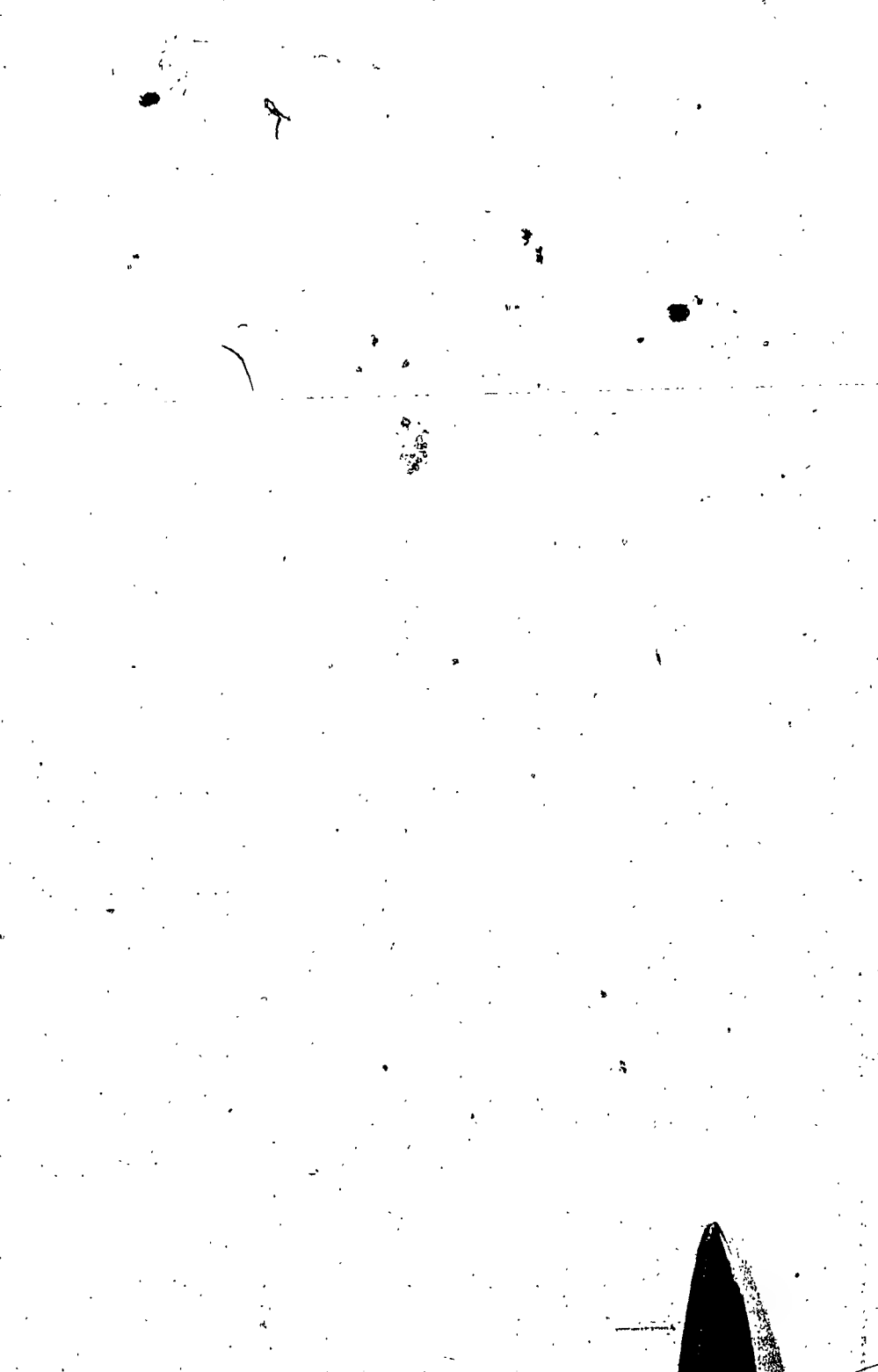
During the summer of 1927 I made my first visit to Western Canada. Some Western friends induced me to go out to look over the country as they wanted me to extend the Solloway, Mills business to Calgary and Vancouver. My observations of the situation in Western Canada were exactly the same as in brokerage circles in Eastern Canada in the years following the war. Nearly all the people in Western Canada with money were playing the New York market. From the time the people in the West had started making money, they had always had wires and facilities for sending their money to Wall Street, so that the great percentage of it left the country. I found there were exchanges in Calgary and Vancouver and a great many brokers. They would keep the exchange open for an hour or so each day for the purpose of establishing a market price for certain stocks, but they would do very little actual business on the exchange. The idea seemed to be that once the daily prices were established they would buy and sell on the street and from their offices, making a profit between the purchaser and the seller. Each one of the brokers had a promotion stock of his own to sell; in other words, they were

not brokers—they were promoters—and their system of doing business was unprofitable to the brokers, the investors and the companies that were trying to secure finances. Oil companies in Alberta and mining companies in British Columbia would get only five and ten cents for their stock, with the result that they would never get enough money to accomplish an objective.

THE START IN MONTREAL

After my return from Western Canada in 1927 certain theories regarding the brokerage business and the creation of financial markets in Canada with the object of keeping money from going to Wall Street were taking shape in my mind. In order to carry out my ideas I decided we had to extend the business all over Canada. It was the only solution I could see to get the Western people interested in Eastern investment opportunities and to get the people living in the East to participate in Western investment opportunities; in other words, I had to bring the East and the West together so that they would trade with each other and thus divert their money from Wall Street into Canadian industry. Shortly after my return to the East I went to Montreal to look over the situation there.

I found that people in Montreal were not greatly interested in mining for many reasons, most of





Salloway, Mills & Company's Vancouver office during days of stock market activity in 1929.

which were the same as I had previously observed first in Toronto and then in Western Canada. It seemed to me that I could create business in Montreal by bringing the mining market of Toronto to Montreal and giving the public and the brokers the same service as I was giving in Toronto. We decided to open an office in Montreal and put in a private wire which would connect with our Toronto office and the Standard Stock and Mining Exchange. From my Montreal office I put in private telephone connections with Montreal brokers. I remember that I opened our Montreal office on a Monday morning with three of a staff, doing the trading personally. By the end of the first week I had so much business that I had a staff of fourteen and had to bring several of our experienced men from Toronto. Once more one of my theories worked out. For the next two years we were busy extending our business all over Canada.

I remember in January, 1928, when I was figuring the amount of capital required to extend our business to Western Canada with a string of offices and several thousand miles of private wires, I estimated that, with care, we would have an operating deficit of only \$250,000 the first year. Therefore we were all greatly surprised when, at the end of twelve months, we had no operating loss but a considerable profit instead. I also remember that it occurred to me at the time that the public of Canada had been

waiting for just such a service as Solloway, Mills and Company provided.

I encountered great difficulties in getting Western brokers to take all their business to the exchange instead of trading in their offices and on the street. They had the idea that they could not make sufficient money in commissions alone, that they had to make a profit in-between the buyer and the seller and they were mostly interested in selling their own stocks. They also seemed to think that Solloway, Mills would take business from them. It was difficult to overcome this prejudice.

The history of our operations in Western Canada is that we created business for every broker and that every broker greatly increased his business as soon as we commenced operating. We not only created active trading on the exchanges of Calgary and Vancouver but we acted as bankers for all the brokers who wanted to borrow. They could come to us, deposit their speculative securities which the banks would not accept and secure loans. The result was that, by acting as bankers for the Western broker, we made it possible for him to increase his business greatly. This resulted in creating active markets on the Calgary and Vancouver stock exchanges. In addition we were successful in carrying out my idea of bringing together the investors and speculators of the East and West, greatly increasing the business of all Canadian stock markets.

By 1929 the Solloway, Mills business had become so successful that there grew up considerable jealousy and a strong prejudice against it among brokers and financial men both in the East and West. They seemed to think we were getting too much of the brokerage business and if we were put out of the way they would get a greater share. When eventually, in January, 1930, we were arrested and put out of business, it had the very opposite effect. With Solloway, Mills and Company out, there was very little for the other brokers because they had no markets and no one could take our place in creating markets or in financing them. We were not only sellers of securities, we were the largest purchasers of securities in Canada, not only for Canadian customers but also for our customers in foreign countries. Therefore the largest purchasing power in the market had been destroyed. Millions more were lost to Canadian industry by foreigners selling their Canadian securities. There was no institution in Canada to take the place of Solloway, Mills as bankers for the financing of speculative securities. In addition, banks and other institutions called their loans, lacking confidence in Canadian markets. This confidence has not yet been restored.

On January 10, 1930, when Premier J. N. Brownlee decided to arrest Mills and me, Solloway, Mills and Company had in their possession between \$25,000,000 and \$30,000,000 in cash and securities

belonging to the public. In addition we had our own financial credits and resources which had been carefully preserved for the protection of the business and our clients. This money was being used daily in the financing of stock exchange transactions across Canada.

We had large sums on call loan with eastern trust companies, which money we loaned to members of the Toronto and Montreal stock exchanges against the shares and bonds of Canadian industrial companies. At a time when the world-wide depression commenced to affect the Canadian markets, Solloway, Mills had all their resources and the resources of their customers employed in Canadian industry at not more than seven per cent., with money on call loan as low as five per cent. while, at that time, many of our financial men and institutions were sending their money to New York where they could obtain much higher rates of interest.

I estimate that, within a year after Solloway and Mills were arrested, \$50,000,000 was lost by Solloway, Mills' clients and by Canadian industry because a great percentage of our clients either sent their money to Wall Street or lost it by taking their money and securities to insolvent brokers who shortly afterwards went into liquidation.

CHAPTER IV

THE POLICY THAT GOVERNED OUR SERVICE

THE success of Solloway, Mills and Company may be largely attributed to the independent policy of giving information and advice to the public. People could come into any Solloway, Mills' office, make use of our telephones, private wires and any member of the staff in order to obtain all possible information on a particular stock without ever being asked to buy or sell any stock or even give the firm business. The ideas I tried to instill in all members of the staff were that as long as we concentrated on giving the public efficient service in every possible way, we need not worry about the business or the money end—that if we served the public, they would give us business of their own free will without solicitation—that if we all did a good day's work every day the money end in the way of business and profits would take care of itself.

Therefore, after my experience with Amulet and Bidgood, I avoided becoming interested in any stock so that our men would be free to give unbiased and

independent information and advice to our customers.

I have often had customers come to me or write letters to say that they went into one of our offices and found that one of our customers' men recommended the purchase of, say, Noranda, at a certain price while another customers' man in the same office advanced arguments why Noranda was not a purchase at that price. Many of our customers thought this was not a good policy for the firm until it was explained to them that the reason for this was that our customers could get two opinions—one for and one against—the purchase of any particular stock.

Through my desire to assist the development of Turner Valley and the oil resources of Alberta the firm departed from its policy to the extent of financing three oil companies in Alberta. I became greatly interested in the development of oil in Alberta not only for the speculative possibilities to the individual investor but also because I thought it would be a great national asset to develop oil fields in Canada to save sending out of Canada so much money each year for the purchase of oil and petrol supplies. After becoming fully familiar with the efforts made over a period of fifteen years by certain men in the development of Turner Valley and with the geological formations paralleling the Rocky Mountains from the southern border of

Alberta to the Arctic Circle, I was convinced there were great possibilities of developing oil fields in Canada equal to those of California and other oil fields of the United States.

Very little progress had been made by independent companies drilling in Alberta, with the exception of Imperial Oil, Limited, because the independent companies tried to obtain capital by selling their shares at too large a discount, quite often as low as ten cents a share. They never could get sufficient capital to carry out a continuous program of drilling.

During the early spring and summer months of 1928 I decided to put some money into Turner Valley in order to encourage the development of Alberta's oil resources. I quite realized the speculative nature of an oil venture but considered, at that time, that the firm could afford to take the risk. The first company was Mayland and we gave them \$150,000, paying them \$1 per share for the treasury stock. This was the first time any one ever paid par for the shares of an oil company in Western Canada.

When the Mayland Company listed its shares on the Calgary Exchange at \$1 per share, all the other brokers thought it was ridiculous because there were other companies in Turner Valley with wells almost completed whose stocks were selling at twenty-five or thirty cents a share. Therefore they would say -

to their customers: "Why pay \$1 for Mayland when you may buy the shares of other companies at twenty-five or thirty cents whose wells are in a much more advanced state of completion than the Mayland Company's?" They failed to realize that the Mayland Company had a small capitalization of 300,000 shares and had \$150,000 in its treasury to guarantee the completion of its well.

During the summer of 1928 we made several large investments in Turner Valley which, within a year, were to turn out very profitably. I have always attributed these speculative profits to good luck and because the original intention was more to assist the development of Turner Valley than to make money.

For example, J. R. Lowery came to me one day early in 1928 in Vancouver. He had some good leases in Turner Valley and wanted to raise \$250,000 for a drilling program. He said if I would subscribe \$25,000 he could get Mr. Pat. Burns to put up another \$25,000 and, with Mr. Burns and myself interested, he would then be in a position to go to all the prominent men in Western Canada. I gave him a cheque for \$25,000. He took the next train to Calgary and secured Mr. Burns' subscription for \$25,000 and, within a short period, he had succeeded in raising the full amount of \$250,000 from other Western business men.

With every company we assisted in financing I

always insisted on small capitalizations and the payment of par or more for its treasury shares, with the result that Solloway, Mills and Company greatly assisted in bringing about the creation of active markets and wide distribution of companies' shares throughout Canada and in foreign countries. Many oil companies in Alberta and many mining companies in British Columbia were able to secure large sums of money in this way for oil and mining development in Western Canada, which in turn brought industrial development and prosperity.

To accomplish this object we spent large sums of money advertising the resources of Alberta and British Columbia—not only in Canada but in other lands, which resulted in bringing tremendous sums to Western Canada.

INTRODUCE AVIATION

During 1929, Harvey Mills, who was fond of flying, became personally interested in aviation in Alberta by purchasing some aeroplanes and starting an aviation and training school in Calgary. He also purchased a fleet of aeroplanes to solve the transportation problem from Edmonton to Aklavik, at the mouth of the Mackenzie River, a distance of approximately 1,700 miles. Mills had invested quite a large sum of money in these projects before speaking to me about them. Later on when he realized that, to instal a complete organization with modern

ships suitable for long flights under all kinds of climatic conditions, he would need more capital, he asked me to join him. I realized there was no hope for many years of the project paying its own way because, in 1921, in co-operation with Col. Bishop and Col. Barker, I had made a study of the country and the cost of maintaining and operating a fleet of aeroplanes. But I not only joined Mills in financing it but encouraged him to spare no expense in purchasing equipment and aeroplanes that would insure the safety of pilots and passengers, pointing out to all concerned that my object in putting money into aeroplanes was that I believed there was a great prospect of discovering oil fields and valuable mineral areas in the country along the Mackenzie River in Northern Alberta. I quote herewith the press report of an interview which I gave in Edmonton at that time, which was copied by newspapers throughout Canada:

"The head of the big brokerage house is particularly keen on the possibilities of Northern Alberta.

"'Old prospectors, heads of mining companies and others feel there will be found vast quantities of oil and other minerals in Northern Alberta,' Mr. Solloway says. 'The entire Mackenzie basin is one vast and practically unexplored mineral possibility. It has everything to attract the miner and the prospector—good climate, good transportation by water and now by aeroplane—and it offers possibilities for a diversified search for valuable minerals—oil, gold,

lead, silver, zinc, stone, marble, copper—a veritable Eldorado for the prospector.’

“An announcement of some importance in mining circles was made by Mr. Solloway during the interview when he stated that his firm had decided to place a party of prospectors in the Mackenzie basin district in Northern Alberta early this spring to examine thoroughly the territory for oil-bearing strata, copper, placer gold and other mineral deposits.

“These men will go into the territory by the water route and will be kept there all summer. They will be maintained by aeroplane connection, and machines will carry in supplies and any materials that are needed,” he said. “If we are fortunate in finding any mineral deposits or oil-bearing structures of importance, there will be no difficulty in their development and economic operation as the Mackenzie River affords good means of transportation.”

These views are particularly gratifying to me now that the rich area of Great Bear Lake has been discovered and at a time when all our mining men realize that many great mines will be discovered in this part of the country.

Alberta is a province of rich natural resources, with rich farm and grazing lands running parallel with the Rocky Mountains north to the Peace River country, with Chinook winds coming periodically over the mountains to assure a crop every year, with its rich soil, unlimited coal deposits, its geological formations which give promise of producing large

gas and oil fields, its great country to the north which, without question, will produce tremendous mineral wealth, its mighty rivers and great lakes capable of producing unlimited horsepower. I could visualize the industrial progress that the development of Alberta, and particularly that great empire to the north, would bring to such cities as Edmonton and Calgary.

I had extensive plans maturing to bring unlimited capital to Alberta and British Columbia from the large financial centres of America and Europe and it was with this object in view that I opened offices in New York and London. In addition, I like the West, its climate and the people. There is a hospitality about the West not equalled in any other country in the world and it is the last Great West. Civilization commenced in the East and for thousands of years has been travelling west, first through Europe, then across the Atlantic to the eastern shores of America, so that when we reach the Pacific Coast we have come to the end of the Western world, and we stand facing the East.

Alberta and British Columbia are not only rich in natural resources but also in climate and beauty. I not only brought money to these provinces, but I also made large personal investments.

CHAPTER V

THE FINANCIAL OR TRADING POLICY

THE customs and usages in the brokerage business as they existed in Canada until the brokers' prosecutions in 1930 were that the securities held by the broker for his clients' margin accounts were the broker's property until paid for in full by the customer. The method used by all brokers doing a large margin business with the public was to put all the cash into the one bank account and to keep all the securities of the firm and its clients in one securities box, any share of a given corporation being good delivery to customers, brokers or stock exchanges; in fact it would have been absolutely impossible for the brokers to have financed and handled the large daily volume of business which existed during the boom years in stock markets had this not been the practice—a practice which exists in all markets of the world.

Thousands of people throughout Canada are curious to know what kind of a system Solloway, Mills had that accounted for its success. Outstanding lawyers in Canada were engaged by the provinces to

prosecute Solloway, Mills. Their chief arguments before the courts were that the firm could not make money unless its clients lost money. Yet the established evidence showed that during four years of rising stock markets and securities prices—1926 to 1929—Solloway, Mills and Company always carried a short position and made money at the same time and under the same conditions that the general public made money. In fact I always contended that we could not continue to make money unless our clients made money, because once the clients lost their money there would not be any business for us.

The facts are that we evolved the same system in principle as that used by the Bank of England and employed at the present time by the Treasury Department of the British government to control Sterling.

When there is a public demand for money, the Bank of England is a seller of securities; when there is little or no demand for money, the Bank of England is a buyer of securities. The Treasury Department of the British government is a buyer of Sterling when there is no public demand and a seller of Sterling when there is a demand. The trading policy of our Company was always so to regulate stocks and cash on hand that we would be in a position to sell securities on a rising market and have money on hand to buy on a falling market. If, at times, we got into a position where we had too many

securities and not sufficient money to finance the public, then we would sell securities at the market, regardless of market price. If, at times, we were running short of any particular security, we bought securities regardless of market price in order to meet our obligations to the public. The only way our traders could go wrong was to disobey instructions, either by getting too bullish on any particular stock and carrying too much or by getting too bearish on any stock and not always having sufficient on hand to meet the requirements of the business. No matter how good a security might appear, something might happen to depreciate its value. No matter how poor a security might appear, something might happen to make it valuable. To eliminate as many risks as possible it was necessary for our traders to refrain from taking an unusual position, either long or short, on any particular stock, with the result that it made absolutely no difference to me as owner of Solloway, Mills and Company whether the market went up or down. The firm made money providing the traders did not break the rules.

This method of trading not only created stock markets across Canada governed by the law of supply and demand but created markets on which the investor could always sell as well as buy stocks. Once this stabilizing influence is taken out of a stock market, it ceases to function as a market in

which the investor and financial institutions may have confidence.

I quote an extract from my instructions to the Solloway, Mills staff to show my views:

"I do not approve of any artificial measures to govern the daily prices on stock exchanges, such as pools or combination of brokers to make an artificial market for any security."

CONSERVATION OF ASSETS

Behind the trading policy of Solloway, Mills and Company there was always the important policy of conserving the assets of the firm and the building up of a large reserve to take care of unforeseen speculative losses and bad accounts and to carry the firm through a prolonged period of business inactivity and depression. Only this policy, carefully established and carried out, could have saved the firm from bankruptcy and allowed it to meet its obligations to all its clients and the business world after the court prosecutions which will be detailed in later pages. Very few financial institutions in Canada—if any—could have stood this severe test of solvency.

I note in press reports of November 15, 1932, Premier Bennett in a speech in Parliament said that, owing to the absence of the speculator, the Government was forced to financially support the Winnipeg option wheat market. In a statement to the press of the same date Mr. Brownlee, Premier of

Alberta, said, that, in his considered opinion, some such action was necessary and that Mr. Bennett had accurately stated the reasons for the weakness in the wheat market.

I cannot resist the temptation to say that Canadian markets urgently require an organization such as Solloway, Mills and Company, capable of creating speculators and speculative markets.

CHAPTER VI

MY REACTION TO THE MARKET COLLAPSE OF 1929

THE market collapse of 1929 caused me to review some of the weaknesses in the Solloway, Mills business and policy so that in November, 1929, I decided to divide the business into two departments: one to confine its activities to the brokerage business, that is, the buying and selling of stocks for the public, and the other department to confine its activities to the margin business—the loaning of money on securities. I also decided to increase the scope of our business to include the handling of bonds. To bring this about I intended to buy a trust company which would have a department in each Solloway, Mills' office to look after the marginal requirements of Solloway, Mills' customers, and also with the intention that this company would not only loan money to people on stocks but would loan stocks to the public for the purpose of a short sale.

In November, 1929, I gave instructions to my solicitor to make investigations as to what trust companies were on the market. I had also arrived

at the conclusion that I would, under no consideration in future, finance any company of any description unless I owned it personally and could take full responsibility for its management or was confident that the men at the head of the company had a reputation as good managers. My conclusions during the prosperous days of 1929 were that many men who were responsible for the spending of large sums of companies' monies were having a good time and enjoying the luxuries of life instead of being on the job looking after their business; that, therefore, most companies required good management before getting capital and, in future, I refused to be responsible for assisting people to finance companies who had no sense of responsibility in handling other people's money.

FIRMS POLICY REGARDING EMPLOYEES AND BUSINESS FIRMS WITH WHICH IT DEALT

The firm's policy regarding its employees was to pay every one a high standard wage, periodically increasing wages by means of bonuses, and to give promotion to those who earned promotion. Solloway, Mills and Company never paid commissions to their employees or customers' men and, as explained in written memoranda to the staff, my idea of a valuable man was how useful he could make himself in giving valuable service to the firm and public.

It was part of our policy never to employ either personal friends, or relatives in the business.

All investments made by the firm were paid for outright. We never purchased anything on time payment—not even a piece of real estate was purchased without paying off the mortgage—and all accounts and bills were paid the day they came into the office. They were not even allowed to accumulate until the end of the month. All obligations to our customers were met promptly. All notes and credits at banks were met the day they were due. Instructions to all our traders on stock exchanges and to men holding responsible positions were that once they had committed themselves to a transaction or bargain, they were to carry it out even though they had made a mistake and their error of judgment would cost the firm money.

No firm in Canada ever stood higher than Solloway Mills and Company in the estimation of clients, employees, trades-people and financial institutions with whom we did business. As an example, a week after the arrest of Mills and myself the firm opened 580 new accounts and, during the prosecutions of Solloway and Mills in three provinces, the Crown was unable to produce one customer of Solloway, Mills and Company out of 70,000 who had any complaint to make or who could say that he had been cheated in any way whatsoever.

Throughout Canada we had a liberal policy of

contributing to charities, exhibitions, country fairs, sports, and other social services.

EXPENDITURES

For the year 1929 Solloway, Mills and Company's contribution to labor and Canadian industry amounted to over \$5,000,000. Our business was particularly valuable to the railway companies, both directly and indirectly. We used many thousand miles of private telegraph wires; our employees did a lot of travelling and stayed at railway hotels. The industry which we were financing—mining and oil development—created a great deal of revenue for the railways in the form of freight, at the same time creating employment for Canadian labor.

During the years I was building up the business I was constantly travelling to see what was going on all over Canada, talking to my staff at each office, meeting the public and airing my views in conversations and in interviews to the press. I had no private offices; to answer my mail I would use the manager's office or any desk which happened to be available in the particular office I was visiting. I had no secrets or schemes that required private offices. No public or business man in Canada knew so many people or was known to so many people. I was constantly visiting the mines and mining districts in Ontario, Quebec and British Columbia, the oil fields in Alberta and the industrial centres of

Canada and the United States, seeking opinions and information from prominent business men. My policy was to go out and meet the people, find out what they were talking about and see for myself what was being done in the industrial world. The success of our company was not an accident—it was the result of hard work, study and observations of people and industrial activities.

I discussed my views freely and on more than one occasion was able to give the people inspiration and the ideas that enabled them to solve their problems which, in turn, created industrial development and employment. I quote herewith extracts from an interview given to the Vancouver Sun on January 4, 1930:

“Much consideration has been given to the optimistic tone which leading financial men, industrialists, government officials and statesmen have adopted in their surveys of the situation. The net result of their effort has been to build up false hopes only to have them shattered later as the trend of events has gone against them. Thus harm has resulted. This serves to emphasize the hazard of attempting to predict what the market will do over a period of time.

“About all any of us can do is to try to get all the facts regarding the present condition of industry in general. I am of the opinion, and have been for the past year, that American business has overdone things. They have built too many apartment houses, too many office buildings, too many fine homes, over-

built their factories and oversold the public with things which the public could have got along without.

"I have in mind luxuries in particular. Too many new cars have been bought when old ones were still serviceable and suitable. There has been too much pledging of future income to meet deferred payments on all luxuries. Building and construction work in the United States, particularly in the large cities, cannot keep up with the pace set during the last few years. This will mean decreased production in all lines of building supplies and metals."

I also quote extracts from an interview given the *Vancouver Sun* on January 8, 1930:

"Every citizen must appreciate the fact that actual values govern ultimately and this consideration will make for investors just as much money as in the past, with fewer mistakes, so that the net result must be highly beneficial to the investor. For my own part I cannot be called anything but an optimist. For instance, I have invested a million dollars in Alberta in the last 30 days."

"Mr. Solloway is intensely interested in the development of aviation and with Mr. H. Mills has backed the industry in Alberta to the extent of half a million."

"Vancouver should have a great modern airport" said Mr. Solloway. "Any reasonable expenditure is justified if Vancouver is to take the place which is hers among coast cities in this important modern industry. The ideal natural conditions of this city

130 THE SOLLOWAY, MILLS BUSINESS

mark it as the natural headquarters for airway development in the west'."

(NOTE:—During December, 1929, I had undertaken to supply Southern Lowery Company, under the direction of Imperial Oil management, \$500,000 for drilling operations, on which I had already paid \$150,000. I had made a public announcement that I would invest an additional \$250,000 in aviation in Alberta and I had purchased over \$300,000 of different oil stocks to stabilize the market for oil stocks in Alberta.)

I HAVE been the subject of political prosecution to an extent unprecedented in the history of my country. The four trials of Solloway and Mills in three provinces set a precedent in law which will be quoted in the courts of Canada for generations to come; even, perhaps, by some of my own descendants who become lawyers and judges.

THE AUTHOR.



CHAPTER VII

THE ECONOMIC FALLACY OF THE SOLLOWAY, MILLS PROSECUTION

COVERING A PERIOD OF EIGHTEEN MONTHS,
JANUARY 10, 1930—JULY 7, 1931

I SHALL briefly review the events leading up to the first prosecution in Calgary.

During the years of stock market activity, the popular thing was to play the market. Earnings and dividends were not important. The idea was to buy something that in a few days could be sold at a profit. We have, say, 10,000,000 people in Canada, and it may be said that 1,000,000 people, or 10 per cent. were interested in the market. I believe the great majority of these people will be interested to learn my views, both regarding the brokerage business and the unprecedented prosecutions of Mr. Mills and myself.

I do not wish to assume the attitude that everything Solloway, Mills and Company did was right. Many of our mistakes were caused by the lack of knowledge of a large staff of men and women who had never had any previous experience in either the

brokerage business or the financial world, many of whom I was forced to place in responsible positions without sufficient training. But we did have a Canadian policy and we operated our business on a much higher plane than established by the customs and usages which had been recognized in this country. The authorities in the East, and stock exchanges and brokers themselves, were not only working for reforms but had already accomplished many changes.

Following the market collapse of 1929, there was some agitation from certain sections of the press for an investigation of the brokerage business. On or about December 1, 1929, I received a message that officials of the Alberta Attorney-General's Department had come to our Calgary office and, after reading certain sections of the Securities Frauds Prevention Act to our manager, had requested certain books and documents. Upon receiving legal advice the manager allowed the officials to have the books and documents desired.

About December 10, I was in Toronto and learned that Mr. A. A. McGillivray, K.C., of Calgary, was in Toronto also. My Toronto solicitor suggested that Mr. McGillivray would be a good man for us to consult in connection with the situation in Alberta. We had a conference with Mr. McGillivray and he told us that Mr. Brownlee was in Ottawa and that, as he was going to Ottawa, he would see the Alberta Premier and find out the intentions of the Govern-

ment. Mr. McGillivray discussed the situation with Mr. Brownlee and advised us that he said the Attorney-General's Department was making an investigation of the brokerage business in Alberta and it was not expected they would have their investigation completed until after the Christmas holidays. We heard very little during the rest of December.

On New Year's Eve I arrived in Calgary. The next morning, January 1, 1930, I met the representatives of the Attorney-General's Department and not only answered all the questions but gave them much additional information.

The situation, so far as I was concerned, was that I had been not only working for years for reforms in the brokerage business but had actually brought about many improvements, and I welcomed government investigations because I believed that any reforms would not only be good for the public but for the brokers. I could not believe or conceive at that time that any government would act in such a manner as to destroy the brokerage business in Canada. The officials of the Attorney-General's Department were very friendly and gave me the impression that they and the Government were really working for reforms and that the information I gave them would be used for that purpose. Before they left we had an understanding that I would remain in Calgary to assist them in any way I could until their investigations were complete.

On January 3, I attended a large banquet given by the Edmonton Aero Club—at which I was the guest of honor—to celebrate the completion of the first aeroplane mail service from Edmonton to Aklavik, an event which will be cited in the history of aviation in Canada. In order to allow the reader to form an opinion as to the importance of this event, I quote extracts from the Edmonton Bulletin of January 4, 1930:—

AN EPOCH OF THE AIR

“I. W. C. Solloway, president of the Commercial Airways, and the pilots of the Commercial Airways who reached the city on Friday on the completion of their round trip to Aklavik, were the guests of honor at the annual banquet of the Edmonton and Northern Alberta Aero Club, held in the Macdonald on Friday night.

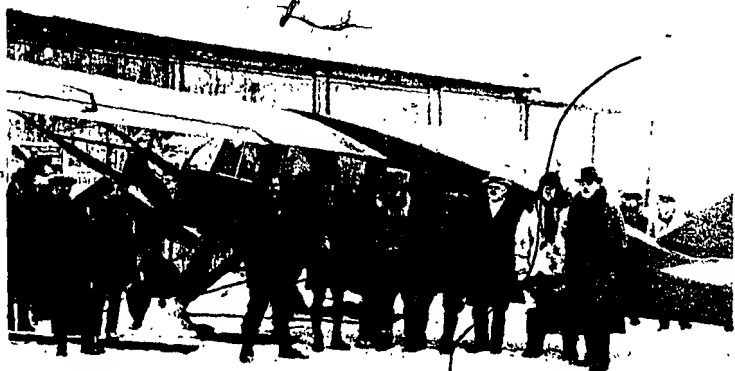
“Amid cheers from the crowd, Mr. Solloway was mentioned by Premier J. N. Brownlee as being one of the men who had helped put aviation on the map in the North Country.

“The Premier spoke of the great good which had been done to the people of the North through the mercy flights of Edmonton flyers, commenting on the fact that it was just a year since Horner and May had made their epic flight to Vermilion.

“The Premier was thanked with cheers at the end of his speech, when he said that the people and the government of this province were heart and soul back of the young flyers who were doing so much to open up the Northland.



*Start of inaugural air-mail flight from Edmonton to Aklavik
December 8, 1929.*



*Return to Edmonton of the first air-mail expedition from Edmonton to
Aklavik, January 3, 1930. J. W. C. Solloway on extreme right, standing
beside Capt. "Wop" May, in his winter flying garb.*

"At this moment a wire from Hon. Chas. Stewart, sent to John Michaels, was read to the gathering in which Mr. Stewart paid a moving tribute to May, Becker, Roberts and Solloway.

"Mr. Solloway, who was greeted with prolonged cheers, said that he had been deeply moved that afternoon when the planes had come in from the North and he had met the flyers and Inspector R. W. Hales of the Post Office Department, who had made the entire trip with the aerial armada.

"The speaker was modest with regard to the support that he had given flying and said that there was nothing better he could have done with his money than to support such splendid young Canadians, both flyers and mechanics."

I also quote extracts from the Edmonton Journal of January 4, 1930, as follows:

"Charles Becker, President of the Aero Club, occupied the chair and seated on either side of him were Premier J. N. Brownlee and I. W. C. Solloway. Dr. W. G. Stedman of Calgary, Mayor James M. Douglas, K. A. Blatchford, M.P., Alderman C. L. Gibbs, M.L.A., C. Coombs, Col. T. C. Sims, John M. Imrie, L. C. Mattern, secretary of the Aero Club, C. H. 'Punch' Dickens, and W. R. 'Wop' May were those seated at the head table.

"The Premier expressed pleasure in being able to do honor to one who, by reason of the activities in aviation, had done so much for Edmonton and the North. 'Mr. Solloway has rendered the province a great service', said the Premier, in expressing thanks to him on behalf of the government."

"John Blue, on behalf of the Chamber of Commerce, in paying tribute to the part which Mr. Solloway was taking in Edmonton's aviation progress, said it was a great thing to know that a man not of Alberta or the North and unacquainted with the pioneering history of that country should be identified in such a large way with that great country and its development."

Another Edmonton report was as follows:

"Immediate plans are being prepared by Commercial Airways, Limited, for the securing of two huge aeroplanes, capable of carrying twelve to fifteen passengers each, in addition to mail, to form the nucleus of one of the finest air-travel services in the entire world, extending from Edmonton clear to the Arctic.

"The decision to purchase the two giant aeroplanes for the Company's service and to add still further equipment came Friday, when I. W. C. Solloway, President of Commercial Airways, gave further and convincing proof of his faith in the future of air development in Alberta's Northland by announcing that he was prepared to invest a further \$250,000 in the company toward equipment.

"Mr. Solloway's action came on Friday afternoon when two big aeroplanes swept down to the Edmonton aerodrome out of a grey and windswept sky.

"They were two of the fleet of Commercial Airways, Limited, and they had just completed an epoch-making mail-carrying flight of 4,000 miles.

"Something epic in the sweep of the two big planes to safe harborage—something of the romance and the high adventure back of this wonderful flight

—stirred the blood of the financial magnate—and in that moment, Commercial Airways, Limited, received another \$250,000 of additional capital into its coffers.

“ ‘Nothing in the way of equipment is too good for the pilots and mechanics who have shown to the world that winter flying to the Arctic, even under the most difficult of weather conditions, is possible,’ Mr. Solloway declared, ‘and as a little tribute to the boys, I am putting this additional capital into the company, to see that they get the best there is in aircraft and service and to aid in the development of what I believe will be the most popular air tourist route in Canada in the next few years.’ ”

On January 6, Mr. McGillivray had an interview with Mr. Brownlee and reported to me that Mr. Brownlee said that the investigation was proceeding. If I wanted to go to Vancouver, they would get in touch with me should they wish to see me again, the general understanding being that when the officials would have completed their report, not only on Solloway, Mills and Company but on all the brokers in Calgary, and handed it to the Attorney-General's Department, they would then advise Mr. McGillivray after which I would be given every opportunity to be heard before any action was taken by the Department.

While I was in Calgary, I was quite concerned to find that many men on the street knew more about the stock position of Solloway, Mills and Company

than I did; in other words, the Attorney-General's men were talking about our business. Many people with whom I talked jokingly remarked that they were going to make a lot of money when the Government forced me to cover my short position. In fact, there was considerable buying at that time by certain people who were confident Solloway, Mills would have to cover their short position. However, I did not think anyone seriously considered that the government was thinking of making arrests.

WARRANT FOR ARREST IS ISSUED

On January 7, I left Calgary to pay a visit to the Vancouver office. About one o'clock on January 10, I received a message from Edmonton to the effect that, at a cabinet meeting that morning, the Alberta Government had decided to issue a warrant for my arrest. I paid little or no attention to the message because of the understanding that I had with the Alberta officials and the arrangements Mr. McGillivray had made with Mr. Brownlee. But about five o'clock that afternoon an officer of the B.C. Provincial Police came to my rooms at the hotel and advised me he had received instructions to detain me under open arrest on certain charges laid by the Government of Alberta.

I immediately endeavored to get in touch with Mr. McGillivray, who happened to be in Winnipeg, but it was quite late that night before I succeeded

in locating him. The next morning Mr. McGillivray got in touch with Mr. Brownlee by telephone and when Mr. McGillivray charged Mr. Brownlee with bad faith, the only excuse Mr. Brownlee had to offer was that he had tried to locate my lawyer in Calgary and found he was out of town. To record the immediate events which followed I can do no better than quote extracts from the daily press:—

Vancouver Province—January 11, 1930:

"Heads of Big Finance House Held on Warrant of Alberta Government."

"I. W. C. Solloway under surveillance by police here. Harvey Mills placed under arrest by Ontario Provincial Police.

"Private Ledgers are Seized at Calgary."

"Warrants issued in Alberta following enquiry that has been under way for some time into dealings on exchange in Alberta.

"Acting on instructions from Attorney-General J. M. Lymburn of Alberta, who telephoned that a warrant had been issued for his arrest, Inspector W. Dunwoody of the provincial police held I. W. C. Solloway, president of the brokerage firm of Solloway, Mills and Company, Limited, under surveillance at his hotel here.

"The provincial police of Ontario took more drastic action under the same instructions and placed Harvey Mills, Vice-President of the firm, under arrest at Toronto.

"Commissioner W. C. Bryan, head of the Alberta provincial police, left Edmonton last night for Vancouver.

"Following receipt of information that a flood of telegraphic rumor was sweeping Canada concerning allegations made in Alberta, respecting the operations of his firm, Mr. Solloway issued a statement at 10 o'clock this morning.

"From his room in Hotel Vancouver, Mr. Solloway said:

"The Alberta Government for some time has been making an investigation of the brokerage businesses in the Province of Alberta.

"We threw our books wide open for their investigators and assisted them in every way possible to secure the information they wanted, as we have always taken the point of view that our business was conducted honestly and that we had nothing whatever to conceal.

"However, the Alberta Government has taken the responsibility of permitting a charge to be made against me personally. I am not familiar with the charge at the moment.

"It looks to me as if they are trying to make a test case and have picked on Solloway, Mills because we are the largest brokerage firm in Canada.

"Personally I welcome any charge or investigation which will result in any reforms necessary for the brokerage business in Canada.

"Solloway, Mills will continue to do business as usual and will stay in business. We will at all times meet our obligations and pay 100 cents on the dollar."

Another paper reported as follows:

"Brokerage sensation has bearish effect on market."

"All stocks with the exception of Calmont slump from previous close.

"Mill City, Calmont and C. & E. heaviest traders —Drop in Premier Gold.

"Chaotic sentiment ruled in the Vancouver Stock Exchange today following the announcement that the principals of Solloway, Mills, brokers, were held by the police on conspiracy charges in Alberta. The market completely reversed the trend of Friday, all the leading stocks, with the exception of Calmont, closed lower, slumping from around a few cents to as much as \$5.

"Founded five years ago, with one office in Toronto, the firm of Solloway, Mills has grown to cover the Dominion with offices in all the important centres from coast to coast. There are now forty such branches, lined with 14,000 miles of privately owned telegraph wires. The first of the firm's twelve offices in Western Canada were opened at Winnipeg, Calgary and Vancouver in April, 1928. The Edmonton office was opened in the following July.

"The following telegram was sent from Vancouver today by Mr. H. Hendrickson, Mr. Solloway's secretary, to the staffs of all the firm's offices:—

'Mr. Solloway wishes to thank every one of you for the telegrams received expressing faith in him. Since early this morning we have been flooded with telegrams and telephone calls from our staff, friends and clients all over Canada stating they are with Mr. Solloway one hundred per cent. and prepared to stick to the finish. It certainly is a great feeling of loyalty and enthusiasm which permeates the organization of Solloway, Mills and Company, Limited.' "

Vancouver Sun—January 13, 1930:

"Mighty Battle, Scene at Hotel.

"Room 831 at the Hotel Vancouver is today the scene of a mighty battle. I. W. C. Solloway, while waiting departure of the train that is to take him to Calgary to face a conspiracy charge, sits surrounded by his personal staff exchanging wires with the Solloway, Mills offices in every city in Canada, directing market operations on a gigantic scale.

"Commissioner W. C. Bryan of the Alberta Provincial Police arrived here Sunday morning with the warrant. He will escort Mr. Solloway back to Calgary where the preliminary hearing opens Wednesday morning. They leave on the C.P.R. train tonight."

Vancouver Province—January 13, 1930:

"'I do not intend that an irresponsible act of the Alberta Government shall be allowed to cause tremendous loss and suffering to the public of Canada,' said Mr. Solloway in a statement made Sunday.

"'I, and not the Government of Alberta, will be running my business today and affairs will be carried on as usual. We will do everything possible to counteract the action taken by the Government of Alberta, and every effort will be made to restore confidence of the investing public in all stock exchanges throughout Canada.

"'After the first flurry of selling is over, within the next few days, the market will return to normalcy. The resources of our organization will be used to stabilize the oil and mining shares and grain prices if necessary.

"'Business as usual will be our slogan and we

will see that the investing public of Canada is protected. Our policy is supported by numerous offers of support from bankers and brokers throughout Canada.

"Very few accounts have been withdrawn and throughout our offices in Canada buying orders easily offset selling orders,' declared Mr. Solloway, in a message sent to his managers after he had reviewed the reports received this morning.

"He expresses appreciation of the loyalty and fighting spirit of his staffs and states that the confidence of clients is still more remarkable.

"I did not think it was possible that any individual or firm could receive so much sympathy and offers of co-operation from so many different sources all over Canada as we have received in the past few days,' he concludes.

"Mr. Solloway spent some time in Calgary on his present trip to the West, and he cannot understand why the Alberta Government had to wait until he reached Vancouver to take their action.

"I intimated that I was willing to remain in Calgary if I could be of any assistance to them,' he said.

"I can find no excuse or justification of their methods and lack of consideration for my responsibilities to thousands of clients over the whole of Canada. It seems very much like a political gesture to satisfy a minority and a few people who think brokers are responsible for conditions existing on all stock exchanges the world over.'"

This was a despatch from Winnipeg:

"Winnipeg, Jan. 13, Harvey Mills, vice-president

of the brokerage firm of Solloway, Mills and Company, Limited, is not worried about the outcome of the charge of 'conspiracy' at common law, on which he is being taken to Calgary. Mr. Mills, accompanied by his solicitor, R. H. Greer, K.C., passed through Winnipeg today en route from Toronto.

"The only thing that worries me is our clients', stated Mr. Mills. 'We are sure to remain in business. At least I hope we will. I still don't know what it's all about.

"I doubt if the case would have ever come up if the Calgary exchange had the proper facilities for handling its business. The trouble is', he added, 'that the Calgary exchange is not sufficiently equipped to handle its volume of business.'

"It is entirely an Alberta matter. We are not laying any charges. We have had no complaints. We are watching carefully but we do not anticipate any charges', said Hon. W. H. Price, Ontario Attorney-General, when asked if the Ontario Government contemplated any action against I. W. C. Solloway, president, and Harvey Mills, vice-president, of the local mining firm of Solloway, Mills and Company, Limited."

Edmonton Journal—January 13, 1930:

"Premier Brownlee says Government has no ulterior motive.

"What is the real object of the government behind the arrest of Solloway and his partner?' Mr. Brownlee was asked on Monday.

"That is exactly where I think the public has taken a wrong impression of what the government is trying to do,' the Premier replied. 'The govern-

ment has no ulterior motive behind the arrest of these two men. We feel that we can show that Solloway and Mills have broken a certain law—viz.: the Criminal Code of Canada, and that being so, it is our duty to bring them to justice if possible, just as we would bring to justice any man, big or small, whom we believed had broken the law, in a large way or a small way. That is all.

“‘If,’ added the Premier, ‘the only question was that of trying to deal with general conditions, we would deal with them in a different way. The actual purpose of the charges is the same as they would be for any other man. We believe there has been a violation of the law, and we have taken action accordingly.’

“‘Apropos to this interview, Mr. Brownlee was asked if some of the fault was not to be laid at the doors of the Calgary Stock Exchange, which according to one prominent business man, ‘permits practices which would not be tolerated for a moment in New York or Montreal.’

“‘I cannot say as to that’, Mr. Brownlee replied. ‘The Financial Post recently said that some of the mining exchanges in Ontario were doing things which were not considered as correct practice but I cannot say how far Calgary’s operations can be compared with the larger exchanges.’

“‘Will the result of the present activity against one brokerage house result in a tightening up of the operations of exchanges and operations in Alberta?’ Mr. Brownlee was asked.

“‘We are hoping to introduce legislation with a view to seeing just how far we can assist in a more

careful regulation of stock exchanges and those dealing there,* Mr. Brownlee said.

"Mr. Brownlee was questioned as to other brokers whose books had been examined under the Securities Frauds Prevention Act, but he refused to add anything further to the comments he had already made.

"The Government thinks it has a case against two men,' he concluded, with a note of finality in his voice. 'It is taking certain action against them. Whether it is justified in that action, whether that action is "irresponsible"—time alone will show. I do not propose to enter into endless discussions either in the press or anywhere else as to this case. The courts will settle the matter, and the people of the province will decide for themselves just how far the government has been justified in its action.'

"Do you think there will likely be any bad effects on the stock and investment business throughout Canada?' the Premier was asked.

"We have considered all such features of the case and have discussed them also in correspondence with the governments of other provinces,' was the answer. 'I do not know any country or civilization, however, where it is urged that a government should stay its hand, when the evidence would seem to indicate that action should be taken simply because of the effect such action might have on the stock market.'

"On a query as to whether some other line of action might later be decided upon and why this particular line had been taken, Mr. Brownlee said this:

"Other action that has been urged upon us, such as the appointment of a Royal Commission, was not

adopted, for the reason that we felt it would lead to a great deal of misunderstanding and ill-considered action, and at the same time it would not give the government any more information than it already has in its possession."

NO CONSIDERATION FOR INVESTORS

This record of events following the arrests most plainly shows that Mr. Brownlee not only gave my responsibilities no consideration but did not consider the investments of thousands of people throughout Canada or the disastrous effect his action might have upon Canadian industry and employment.

On January 11, I issued a statement to the Canadian Press placing the responsibility on Mr. Brownlee and his Government. The Alberta Government established a new precedent in the administration of law in Canada, in that it was the first time that the Criminal Code had been invoked by a government to arrest the heads of a large, solvent financial institution—responsible for millions of dollars of the public's money—without a charge first being laid by an individual. I now shall endeavor to bring home to Mr. Brownlee these responsibilities by drawing to his attention that, although his Government and subsequently the Governments of Ontario and British Columbia, spent several hundreds of thousands of dollars employing the most able lawyers and auditors in Canada, they were unable to

find one customer of Solloway, Mills and Company out of 70,000 who would lay a charge or would come into court and say that he had ever received dishonest treatment from myself, Mills or the Company.

ESTABLISHED PROCEDURE

Commenting upon the Canadian legal procedure following the Solloway, Mills' arrests, a well-known American writer, Mr. Edward Selvin, editor of the "Business Chronicle" of Seattle, wrote:—

"Canadian legal procedure must be quite different from that here in the States to account for the fact that the investigation took a criminal rather than a civil form."

Another extract from Mr. Selvin's article is as follows:

"In the first place, Solloway, Mills and Company is the largest brokerage concern in Canada, operating a private wire system extending across the Dominion from Coast to Coast, with various offices in the United States, one of these being at Seattle. The firm has enjoyed an enviable reputation, holds memberships in various exchanges, and their financial standing is of the best. In the second place, there exists a 'state of public mind' both in Canada and United States by reason of the speculative collapse, wherein so many thousands of people have lost their money that—some one be 'made the goat'. The situation in this respect is unprecedented; probably for the reason that so many thousands of people without previous experience in investment matters and ignorant of the technique of both invest-

ment and speculation not only overreached themselves but through no fault of the brokerage business were misled into believing that they were investing when as a matter of fact they were merely gambling in the wildest era of stock speculation the world has ever known."

POLITICAL MOTIVE

The thoughts of the business world were—what motive has the Government of Alberta in acting in such an unprecedented manner? When a representative of the press attempted to find out from Mr. Brownlee the motive behind the arrest of Solloway and Mills, he was interpreting the mass thought of the responsible men in the business life of Canada.

Mr. Brownlee's replies to the question as to his motive are easily understood. He first of all said that the Government had no ulterior motive; second, that he thought the Government could show that Solloway and Mills had broken the law, viz., the Criminal Code of Canada, but he did not explain, if they had no ulterior motive, why he and his Government did not follow the established procedure in such cases. He did not give any reason why he and his Government had not taken the necessary steps not only to safeguard the interests of the customers of Solloway, Mills and Company and their investments but the interests of every investor and every business in Canada.

Also his words, that it was their duty to bring

to justice any man, big or small, who had broken the law, may be interpreted as a political statement that would meet with public approval.

Within twenty-four hours of the arrests, Mr. Brownlee and his Government began to feel the reaction of the interested public. The whole attention of the financial and business world and of the press was centered on Edmonton, as was plainly noted when Mr. Brownlee said: "I think the public has taken the wrong impression of what the government is trying to do."

Mr. Brownlee and his Government apparently realized the danger to the public welfare that their hasty action had brought about. Under such circumstances the usual procedure is to divert the public's attention and to raise a hue and cry against some individual or corporation. The press published large type headings which tended to produce the impression that Solloway and Mills and the average broker in the business throughout Canada had cleverly concocted schemes to rob the public and that Mr. Brownlee and his Government had done a noble and courageous deed in protecting the interests of the public and the individual investor. This publicity in Alberta spread to the other provinces with the result that all political parties became involved. The blame for all our industrial ills, such as depreciation of market securities, the market losses of the investor and speculator, unemployment

and the general disorganization of business caused not only by our own national errors but by the world-wide depression, was placed upon the brokers and the brokerage business. During the period when all of the attention and prestige of our governments, the press and the business world throughout Canada should have been concentrated on meeting our industrial and financial problems, public men and large sums of the public's money were used in prosecuting brokers and the brokerage business, adversely affecting every business in Canada. Canadian industry has not yet recovered from what I termed at the time "an irresponsible act of the Alberta Government".

CHAPTER VIII

THE POLICY THAT GOVERNED THE FIRM'S SHORT POSITION

THE prosecution of Solloway and Mills was hinged on legal technicalities. Three provinces—Alberta, Ontario and British Columbia—employed many able accountants and lawyers and spent several hundred thousand dollars in investigating one thing—*Short Selling*—something for which the authorities themselves should have accepted the responsibility.

Had Solloway, Mills and Company added a few lines or even a few words in their customers' contract or even used the same contract employed by the New York broker today, the authorities could not have succeeded in any charge they could bring against Solloway, Mills, and our Canadian markets would not have been destroyed, millions of dollars would have been saved to Canadian investors and thousands of working people would not have lost their jobs and their means of making a livelihood.

Also, in the face of established evidence, prosecuting attorneys tried to argue that the firm's short

position was nothing but a money-making scheme. In doing so they had to close their eyes not only to established evidence, but to actual facts. Naturally over a period of time we expected to make money on the short side of the market in the same manner that we all expect to make money on the long side of the market. I believe that, if an individual or corporation exercises reasonable intelligence and judgment, money can be made over a period of time both in buying for the long account and selling for the short account but, as established in the evidence in the Calgary trial, it would be absolutely impossible for any broker on any stock market in the world carrying millions of dollars of securities on margin for his customers to protect his solvency unless he had a short position. On rising stock markets the equity that customers have in stocks carried by the broker increases, therefore the broker's financial risks decrease, but on a falling market the equity in the securities carried by the broker for his customers decreases and the broker's financial responsibilities increase. The danger which can appear almost overnight is—where is the broker going to sell large quantities of securities during times of panic or violent depreciation in securities price? Ninety per cent. of his customers have no further monies with which to margin their accounts once the securities held have depreciated by the full amount of their original equities, with the result that, unless

he takes the precaution to protect his own solvency and his own financial responsibilities, every broker carrying large quantities of securities for his customers would go into liquidation during periods of financial depression, particularly in times of panic.

So, as established at the Calgary trial, the main reason for the firm's short position was to insure its solvency and place the firm in a position to be purchasers of speculative securities when there would be no other market or purchasers for them; in other words, the firm itself was in a position to buy securities when the public were selling. Solloway, Mills and Company had to have a policy which provided a market at all times in which their customers could sell as well as buy stocks.

Short selling in Canada was never the privilege of any one broker or individual. It never was a secret to either the general public or the governments of Canada because the subject of short selling has been discussed in this and other countries in the daily press for many years. Agitation for reforms has been quite often advocated in the daily press. Responsible ministers of the Crown have publicly discussed short selling in speeches. I here-with quote an extract from the Toronto Telegram of June 28, 1929:

"Short selling by the public was advocated by the Hon. W. H. Price. Norman Pearce, editor of the Northern Miner, sounded the warning note that

short selling at the wrong time might increase the public's losses in mining stock. If the public had been more heavily in the mining market on the short side a couple of years ago the boom might have been halted sooner and the short position acted as a cushion in the recessions that have taken place since that time."

The short position of Solloway, Mills and Company was no secret device but an important part of an organization that was not only buying stocks when the general public was selling but was always operating to create stable markets for the firm's customers and the general public.

As the man at the head of Solloway, Mills and Company, I never forgot that I was responsible for the public's money entrusted to the firm, as proven by every precaution that I worked out to insure the solvency of the firm and protection for its customers.

Solloway, Mills and Company had no dummy or fictitious companies, no dummy or fictitious book-keeping accounts, no organization of salesmen working behind closed doors selling stocks to the public, no private offices where men got together to conspire to defraud the public. The Company's books were kept in large public offices available not only to all members of the Solloway, Mills staff, but open and available to all government inspectors who came periodically to examine the books and to collect government taxes on the very transactions which, later, they were to contend in the courts of Canada were

illegal. Until the autumn of 1929 even the firm's trading account was kept in the public bookkeeping offices of Solloway, Mills, no more closely guarded than the clients' accounts. In other words, everything we did in the Solloway, Mills business, all of us, including our solicitors and auditors, thought we had a perfect right to do.

In support of this belief, on January 10, 1930, when Premier Brownlee ordered the arrest of Solloway and Mills, we had all our resources invested in Canada. It is only natural to assume that if I had any idea that the authorities would attempt to make short selling a criminal offence, I would have had some money put away outside of Canada.

The money that Solloway, Mills and Company and their customers used in speculation was a great asset to Canadian industry. If the Company or its customers made money, then we created more business and employment and government revenue. If we lost money it was not lost to Canadian industry; it remained in Canada and did not go to Wall Street. It was the Solloway, Mills policy to create speculative markets in Canada and divert Canadian money from New York. When Mr. Brownlee arrested Mills and me, every dollar we had and every dollar the firm had of its own and of its customers was invested in Canada, creating industry and employment on which the livelihood of thousands of working people depend.

CHAPTER IX

POLITICAL CONSIDERATIONS

FOR some years the stock market had drawn the attention of large numbers of the public and a great many people had made small and large fortunes. All classes of people were in the market, from servants to the heads of institutions and governments. Many people had neglected their businesses and many men had found that they need not accept positions of employment because they could make more money in the market. Many poor people became rich, were able to buy new homes and automobiles, which in many ways antagonized a section of the public which did not speculate.

Therefore it was only natural that, after the market collapse in October, 1929, the responsibility for a great deal of the people's troubles should be directed against the broker. Many who were making a living out of the stock market and those who were living beyond their means had to face the realities of life. People had to go back to work and were faced with the necessity of reducing their cost of living. Manufacturers and business men who had over-developed their business were faced with the

problem of over-production. Governments met many problems caused by extravagances and errors of judgment in the conduct of national affairs.

In Western Canada the reaction to the mistaken policy of wheat pools and the errors of judgment in connection with their operations over a period of years was being forcibly brought to the public's attention. Other wheat-producing countries had undersold our Western pools and had captured our foreign wheat markets. The price of wheat was falling rapidly. Storage facilities in Western Canada, at our Eastern ports and at American ports were filled with Canadian grain. Not only were the finances of the Western pools exhausted but also their credit. These financial and credit resources not only included those of the different Western pools and co-operative societies but the financial resources and credit of many of our large Western milling companies and many Western farmers. As the pools paid the farmer for his wheat he was induced to put that money into the market in the form of grain options, which in turn helped the pools to support their own markets. In addition the banks had supplied the pools with large sums of money.

During the month of December, 1929, there was much talk by the man on the street, some articles in the daily press and a great many rumors throughout the country in connection with this situation and also to the effect that wheat and other grains which

had been kept in storage by the pools were in a decayed condition. There were also rumors, which afterwards turned out to be correct, that the governments of Western provinces were being asked to relieve the banks of their liabilities and that the Western provinces would eventually have to assume the losses of the wheat pools. In England there was a strong agitation in the press and particularly in the milling industry for a boycott of Canadian wheat. It was pointed out to the English people that Canadian farmers had created an artificial price for wheat and were making it difficult for the poor people in England to buy bread. At that time there were many rumors as to the large sums of money lost by the pools. There was not only agitation for a thorough investigation of the pools and their operations, but also a strong public opinion that the men responsible should be prosecuted.

As we review the events facing Mr. Brownlee and his Government in Alberta at that time, it is plain to see that they had a great many problems of their own to occupy their attention besides the brokerage business which happened to be a branch of industry they knew nothing about. In addition, Mr. Brownlee and his political supporters were facing an election that year in Alberta and a Dominion election was due during the year 1930, so the political policy of the Alberta Government was a very important consideration.

It is amazing how attention turned from the serious problems and responsibilities of the Brownlee Government to those of the broker and the brokerage business. Indeed, so successful was this astute political move of the Brownlee Government that other provincial governments, through pressure by political opponents, were induced to take similar action.

SUCCESSFUL POLITICS

Mr. Brownlee and his followers received credit for saving the innocent investor and destroying the broker. Since the arrest of Solloway, Mills we have not heard anything more about the investigation of Western wheat pools as the public has forgotten about them. Mr. Brownlee and his followers won the election in Alberta in 1930 and returned to power with a greater majority than ever. Our Western governments (therefore the Western people) under the leadership of Mr. Brownlee took over the liabilities of the banks (and therefore the pools) and have, to date, escaped public criticism and responsibility for the bankrupt condition of the Western farmer and present conditions in Western Canada. Even to this day Solloway and Mills are being written about in the Western press as being largely responsible for the nation's troubles, when the established facts are that we had a Canadian policy that brought millions of dollars to Alberta and British Columbia. In the

days when I was advertising the resources of Alberta and British Columbia in all parts of Canada and foreign countries and bringing money to these provinces, there was little or no unemployment and no breadlines.

HOW POLITICS AFFECTS BUSINESS

Mr. Brownlee, by his actions in this case, failed to reform the brokerage business. It was crippled, and much of the speculation passed from Canadian to New York exchanges. The Solloway, Mills policy of keeping money in Canada was destroyed. Millions of Canadian money went to Wall Street to support American industry and labor.

Mr. Brownlee's policy did not increase the value of the investor's securities—it decreased their value. It did not create jobs for working people—but rather threw many thousands out of work in many industries and drove money from Canadian markets to Wall Street—from the Winnipeg wheat market to Chicago—decreasing the revenue of governments, cities and railways. When the oil development in Alberta was retarded the home market of the Alberta farmer was reduced considerably. Since the day of the arrests of Solloway and Mills it has been impossible to raise money for oil development in Alberta.

By installing a modern fleet of aeroplanes in the Mackenzie River country, Mills and I made possible

the development of the mineral resources of Alberta's empire to the north. Had he not destroyed us, we would to this day be bringing money to Alberta from many parts of the world for the development of its oil and mineral resources.

I do not blame the public, the press or the Liberal and Conservative parties for being fooled, because the motives behind the methods employed of advocating British Justice are only discovered after a period of time—when the real motives can be brought into the light of public opinion.

If we read at this date the statements which Mr. Brownlee issued to the press after the arrests and compare them with the statements made by Solloway and Mills, it will be difficult to find sincerity in his words. On the other hand, it took courage to use the words I directed at my prosecutors, who held all the power and prestige of government. They do not sound like the words of a schemer afraid of being prosecuted.

As I write this I have before me a sworn record obtained from the Attorney-General's Department of Alberta of the evidence collected by the Department during the investigation of Solloway, Mills and Company.. This written document leaves no excuse for the arrest of any individual and is a proof that I told Mr. Brownlee's investigators everything about the Solloway, Mills business and the brokerage business in general throughout Canada and in

other countries. It further records that the government's investigators recognized that Solloway and Mills had done a lot for Alberta.

I pointed out to the authorities the methods used in Calgary when we first opened in that city and of the difficulties I experienced in getting the brokers to do their business on the stock exchange.

I told them of the difficulties I encountered in creating public interest in Eastern Canada in the development of Alberta's oil resources and of the work that I had done in creating markets for Alberta oil stocks.

I pointed out that the average broker was a speculator, that he lost as much money on the market as the public and that, in my opinion, an audit of the books of all the brokers across Canada would show that not two out of ten brokers were solvent, which opinion was subsequently found correct.

I told them there had been times during the preceding years when Solloway, Mills and Company were carrying such large amounts of oil stocks for the general public that if a market collapse had occurred—notwithstanding we had a large short position—we should have been in a dangerous position because we were carrying millions of dollars worth of securities for our clients on which we could not borrow money. In other words, we found we had too many securities and not enough cash to properly protect our customers and ourselves.

CHAPTER X

GONE MAD!

I STOOD looking out over the City of Vancouver from my rooms in the Vancouver Hotel on Saturday, January 11, 1930. I fully realized the disaster that had happened to me and, as I believed, to many people throughout Canada. I was thinking, "Why didn't Brownlee keep his word that he would send for me if he wanted me back in Alberta? I could have shown him his mistake. The Solloway, Mills business should not be destroyed." As I stood looking out over the city the shouts of the newspaper boys came floating up from the street below:

"Solloway and Mills arrested."

My thoughts went back to a day early in August, 1914, when I stood before a bulletin board in a small Ontario town and read in large black type:

"Germany Gone Mad."

Beneath, there was something about Belgium and a scrap of paper and that, within a few hours, the British Empire would be at war! As I stood in the crowd before that board, the blood rushed to my head. Later, on the fields of France amidst the

thunder of bursting shells, the cry of the wounded and the agony of the dying, the words "Germany Gone Mad" often came to my mind.

Long after the war, on a trip to Buffalo in 1929, I read that a huge banking merger had taken place and the capital involved ran into a billion dollars. I felt that no one man or group of men was capable of handling a billion dollars of the public's money. I said to myself: "Has the world gone mad?"

So, on that day in Vancouver when I listened to the newsboys, I thought: "Has Brownlee gone mad? Does he think he can destroy me, my business, my investments across Canada, without destroying the investments of his own people in Alberta and of thousands of people throughout Canada?"

I realized I was ruined, my business would have to close, employees be discharged and the effect would be felt in every industry across Canada. Why did he not send for me to return to Calgary and arrest me there? Why arrest me in Vancouver and have me brought back under escort? He knew we had large investments in Alberta and throughout Canada and would not run away.

During the years of success and prosperity my greatest pleasure was in creating employment in the Solloway, Mills business and other companies I assisted in financing, and to see men and women earning wages which provided a high standard of living. My greatest sorrow was in seeing my em-

ployees discharged and deprived of their livelihood. I could have forgiven Mr. Brownlee if he had given me an opportunity to protect not only the interests of Solloway, Mills and Company and our employees but also customers of the firm throughout Canada.

CHAPTER XI

MY EFFORTS TO ASSIST THE INVESTIGATION

I AM of the opinion that the general public will not only be interested to read the following extracts from my evidence given on January 1, 1930, during the investigation in Calgary but that it is in the public interest:

In discussing the subject of short selling and the stock exchange business in general I quote as follows:

A.—We were all very foolish on this particular market. I could not get them (my own staff, clients and public) to sell. I sold myself against all their advice. I had to because stocks were piling up. I knew that if a slump came I would be swamped. I remember selling 20,000 shares of Calumet at \$5 in Toronto in the period of a couple of days, and when Mr. Mills found out about it two or three days afterwards he sent me a wire telling me that he had bought stock himself from Dallas at \$5.

Q.—At that time?

A.—Yes, I couldn't get them to sell stock. They would have ruined me if I had not backed my own opinion against them all.

Q.—Still your Calgary office was in the position that as a result of the large number of buying orders coming in from clients the house automatically established a short position on practically every stock?

A.—Yes.

Q.—Which in itself was a protection to the brokerage house?

A.—It was a protection so long as we didn't have too much stock on hand.

Q.—Yes?

A.—And a lot of this stock we paid big prices for. As an example, I paid Calmont Company as high as \$5 a share for their treasury stock. I paid Mayland \$10 a share, giving the Mayland Company \$500,000. I gave the Mayland pool \$200,000, paying them \$10 a share. I gave Home \$20 a share, giving them a million dollars.

Q.—What do you think of the relation between the development of the oil industry generally throughout Alberta and this excessive stock speculation? Do you think an excessive stock speculation is a good thing for the development of the natural resources, or a detriment?

A.—I am of the opinion that you cannot find money to build up any industry, let alone a speculative thing like oil and mining, without speculation.

Q.—Suppose we take all the money that has been used in speculation and put it into the treasuries of the oil companies to go out and develop the oil industry. Would there be a lot more development?

A.—So far as the oil companies of Alberta are concerned, these companies have more real treasury money than any other companies that I know of in other similar booms. They have received a lot of

money but the promoters and managers of these companies have not made the best use of these monies. Here is an example:—I have done my work well for the oil companies in Alberta. I have created a speculative market for them—advertised their companies and the Alberta oil resources all over Canada and America. What was my observation when I came out here last summer? I looked around Calgary and Vancouver, I went to Turner Valley, observing, and what did I see? Bad management. I saw the promoters drinking and having a good time, spending their money, making foolish investments and not looking after their jobs. They thought all they had to do was to manufacture stock certificates and when their companies ran out of money or wanted more money, they could sell stock certificates. It struck me at the time that it couldn't go on forever. They were manufacturing too many stock certificates and wasting their money and spending it foolishly, and on top of it all they ran into a lot of hard luck in the Valley. A lot of the companies had hard luck with their wells.

In spite of what has happened, so far as speculation in oil in Alberta is concerned, Solloway, Mills own more stocks today in Turner Valley oil companies and have more money invested in Alberta today than we ever had. I agreed to give the Imperial Oil a half million dollars the other day for their Southern Lowery Company. I bought 100,000 shares. I bought 125,000 shares of Dalhousie off the market from ———. They needed the money, and I have been buying stocks for the last month that I knew the market would not absorb, which I am content to carry over if necessary for a year or two. I am financing several companies in the field

today and I am obligated to give Mill City a total of \$1,200,000. I figure that I have five million dollars invested in Turner Valley today, and there are other companies now waiting for me to give them money to go ahead, and as soon as I know what the Alberta Government's attitude is towards things, I am prepared to put more money into Turner Valley. I am the largest holder of oil stocks outside the Imperial Oil of anybody in Canada. I have more at stake in Alberta today in oil development and money invested in other things than anybody in the Province of Alberta with the exception of perhaps Mr. Burns. We have spent a lot of money in this province.

I herewith quote further extracts from the same document:

A.—We have never promoted a company.

Q.—But you have put your money into companies?

A.—Oh yes, we have financed many companies.

Q.—Perhaps this is a silly question, but between the broker who prides himself on never doing it, and ones who have done it, what is your view about it?

A.—I have always contended that I didn't want to promote companies. I don't want to take the responsibility for them. If I thought a company was good, I would put money into it and get the public into it. If I thought it was good I would help finance it—that is what we are in business for. That is the job of the broker—to try to finance companies and get distribution of their stock. My observation of speculation in mining in Canada during my lifetime, commencing with the days of Cobalt, thirty years ago, is that, reviewing all the speculation in

mines and oils, speculation has kept money in Canada and has brought money into Canada, which money has been used to create Canadian industry, pay Canadian wages, government taxes and everything else, and which money is still in Canada today. It has not left the country, and the total amount of all the money which has been used in mining development and mining speculation is only a small percentage of the money which Canadians have used in speculating on the New York stock market. It is only a small percentage of the money which has been lost by Canadians in Wall Street, which money has left Canada and has never come back. So with all the abuses under which this speculation has been carried on, it has not made Canada any poorer. It has been good for Canada. It has kept money in Canada and it has brought money into Canada. It has developed our mines, which in turn create a market for the manufacturer and the farmer and everyone, and has made a prosperous country out of Canada, because it is speculation amongst ourselves. I may have it today and somebody else tomorrow, but it is still in Canada, and with all the advantages they have over the public, very few of our brokers have any money.

Q.—Mr. Solloway, let us stick to that. What we want is further geological development in Alberta?

A.—Yes.

Q.—We need another Turner Valley somewhere?

A.—You are going to get it.

Q.—What brokers have put any money into the exploration of Alberta's oil structures?

A.—I think they all have. They have all done their share of financing these companies, every one of them.

Q.—What companies?

A.—Many companies.

Q.—How many companies are there which have a constructive geological programme today? Is it not one of the evils with Turner Valley, that there has been too much speculation and not enough development?

A.—But you have that in the development of every mining and oil country in the world. The geologist is not always right. Some of our greatest mines and oil wells have been found by amateurs putting holes down into the earth where according to all geological information they had no hope of finding anything. My attitude towards oil development in Alberta is that I want to encourage the financing of wild-cat oil companies. I always want to encourage that because you never know when one of these companies is going to bring in a field, but I do not want to finance them ourselves. I was in the development end of mining for twenty-five years. I worked very hard and didn't make any money out of it, and now that I am in the brokerage business I want to make some money, but at the same time I think wild-cattling is the greatest thing which can happen in Alberta because some of these chaps are going to bring in fields.

Q.—Is not the public going to lose a great deal of money in the process?

A.—No, the public is going to speculate anyway.

Q.—Now, supposing we abolish marginal trading?

A.—If you abolish marginal trading you will confine stock trading to a few good stocks after they have proven their worth, because nobody will loan money on stocks of development companies.

Q.—Do you think that marginal trading must stay

to develop our oil resources in Alberta? Do you think there is a direct connection between the two?

A.—I am not qualified to give you an opinion, but something the public and the brokers should all realize is that marginal trading does not mean buying stocks, because the man who buys on margin seldom intends to take delivery of his stocks.

Q.—When I go in and do some marginal trading without intending to take actual delivery of the certificates, I take my flier and I am sold out. Where does my money go?

A.—Some fellows win and some fellows lose and the speculators have to pay the cost of conducting brokerage offices, stock exchanges, and the tax on transfers.

Q.—That is my point, but what percentage of it goes into the ground?

A.—A percentage of it does; it is through that system that these companies eventually get money with which to go ahead. If you had gone to Turner Valley last summer you would have seen perhaps twenty miles of activity and you would know that those companies had millions of dollars to carry on that development activity. Well, they got it through speculative markets. A percentage of all the money goes to the companies, a percentage goes to pay the cost of running the stock exchanges, brokers' offices, government taxes, the taxation on the sales and all those things. Somebody has to pay it and the speculator must eventually pay it all.

Q.—But I understand that what goes into your pocket comes out again in some of these financings which you have done for the oil companies, and which I call "going into the ground"; but other than your own company, what brokers have, as a part of

their programme, put money back into the oil companies?

A.—Well, I was talking with ——— the other day and I said, "How much money have you really made; would you be solvent today?" He started to tell me the value of the things he owned. I found that he had put \$300,000 cash a few months ago into the Atlas Exploration Company. I found he had financed a couple of mines in B.C., financed a couple of mines in the State of Washington, put money into things like Central Oils and into the Wainwright field, and what has ——— got? He has a lot of speculative investments for which I would not give him \$25,000, and he is supposed to be a wise man. The money which I made in Turner Valley I have put back there again. I have a little money today after thirty years' work and speculation. A year from today I am liable to put it all back into the oil holes from which I have taken it out. I contend that so long as I keep my money in Canada and can get people to speculate in Canadian things and keep their money in Canada, this mine business is not too bad, but it makes me mad to see so much of it going to Wall Street, because the Wall Street brokers are only doing what we are doing. If I had my say I would make every New York broker doing business in Canada carry his stocks in Canada. You supervise our offices but you do not supervise the New York ones.

Q.—Who are the New York ones?

A.—These New York brokers have agents all over Canada, take ———. I suppose in Calgary you have ten brokers handling New York stocks for the New York houses and that money is all going to Wall Street.

CHAPTER XII

EQUAL JUSTICE TO ALL!

LET us consider Mr. Brownlee's conception of administrating law and bringing to justice any man, big or small!

After the arrest of Solloway and Mills there was no further investigation or arrest of other brokers in Alberta (except in the course of time when brokers went into bankruptcy and an individual laid a charge, which is the regular procedure in the administration of the law). No attempt was made to control representatives of the New York broker, either by the Alberta Government or later in Toronto when a conference of all the attorneys-general reviewed the brokerage business in Canada.

Why did Mr. Brownlee not administer the law with equal justice to all? During the weeks that we were liquidating the Solloway, Mills business I often was greatly pained when I watched our clients taking their securities and cash out of our offices to the offices of the New York broker. All my work to keep money in Canada and to build up a reserve of money for the protection of our clients was wasted.

Another unfortunate event was that the speculating public was induced to buy stocks on the theory that they would go up when the brokers were forced to cover their short positions. (Government employees came to our offices after the arrests and bought stocks on margin in order to take advantage of this theory). This was most unfortunate and cost those people a great deal of money because the general public had become cautious before the arrests and many were selling out and taking their losses before they had lost all their capital.

The result was that thousands of people went back into the market with their last dollar and lost it. What these people really accomplished was the creation of a market in Canada for a week or two which gave the foreign holders of Canadian securities in the United States and elsewhere a good market on which to sell their Canadian securities. The Alberta Government had the report of their investigators. They knew that, with very few exceptions, Solloway, Mills were the only solvent brokers in Alberta. Yet after they arrested us they allowed these insolvent brokers to remain open and take the public's money—including the money and securities of our clients.

In addition, while the press in the province of Alberta and throughout Canada were telling the people that the brokers had robbed the public of millions of dollars, the Alberta Government, if not

the Alberta newspapers, knew that the great majority of brokers throughout Canada, as well as the public, had lost their money. In the light of that knowledge we must interpret Mr. Brownlee's words and his ideas of rendering the same British Justice to the big man as to the small man. As I study the evidence in the Solloway, Mills prosecutions and review the manner in which the authorities handled the whole brokerage situation, I have come to the conclusion that it is my duty to place the facts before the public.

When governments deal with business, extreme care should be taken not to prosecute in ignorance or revenge. When a business or organization, its methods or machinery outgrow existing laws, the governments should investigate and regulate. Modern business, especially big business in which large numbers of the people are interested and upon the capital resources of which depend the savings of thousands of people and the livelihood of employed workers, should be able to look to the governments for security and protection. In this age of industrial progress, with multiplicity of laws, the governments must share the responsibility that the law is so applied as to assist business and not to destroy it.

FOOTNOTE: Politicians and public officials must realize that governments should regulate wealth, but they must not destroy wealth. When wealth is destroyed working people are deprived of employment; when wealth is destroyed it is working men, women and children who suffer.

REGARDING SPECULATION

Mines and industries cannot be financed without speculation. It was speculation that made possible the development of Canada and the States and it is responsible for inventions and science. Where would Canada be today, during this period of depression, without mines, particularly our gold mines, and yet it was the speculator and the broker that made the development of these mines possible. Eliminate the speculator and speculative markets and we cannot find the capital to develop mines or even provide a grubstake for a prospector.

As I write these words I have before me a clipping from the *Toronto Mail and Empire* of September 30, 1932, in which the writer says that the speculator could never get along without the prospector, but that the prospector can get along without the speculator. This writer has the cart before the horse. It is statements such as these which periodically appear in the press, written by men who have had no experience in the financing of mines or of industry, which are responsible for many of our industrial ills and abuses levelled at men who are honestly trying to create Canadian industry and employment.

I know of at least fifteen good gold mining propositions in Ontario, Quebec and British Columbia that warrant the expenditure of from \$50,000 to \$500,000 each but it is absolutely impossible to

finance the development of these promising gold prospects without speculative markets. Mr. Oakes had to spend approximately \$300,000 before he got under Kirkland Lake and found ore in commercial quantities. Approximately \$750,000 was spent before ore in commercial quantities was found in Teck Hughes and the same may be said of Wright-Hargreaves. The people who develop these mines had to be optimists and I doubt if they could have secured the money which they spent to find commercial ore had our present Securities Frauds Act been in operation at that time.

CHAPTER XIII

THE TRIALS

THE preliminary trial at Calgary commenced on March 17 and ended on March 21, while the trial itself lasted 21 days (June 2 to June 23, 1930). The Crown in Alberta had four special counsel and two expert accountants presenting its case. Witnesses and books were brought from different parts of Canada, so that the whole business of Solloway, Mills and Company throughout Canada was placed on trial. The charges, as placed before the court, included our operations in every Province in Canada. Therefore, under the administration of British Justice before British Courts, there was no excuse for the prosecutions in other provinces except political considerations. It is the opinion of outstanding lawyers of Canada that the prosecutions of Solloway and Mills outside of Alberta were not in accord with the administration of justice. It is also the legal opinion that it is absolutely necessary that the law as applied in the Solloway, Mills prosecutions should be reviewed by the Department of Justice.

The prosecution of Solloway and Mills in the

courts of Canada established a new precedent in the administration of the law, not only in Canada but in the British Empire, in that we were charged with many offences all grouped around one thing—*Short Selling*—something that was not an offence under the Criminal Code at that time. (It was not until May, 1930, that a statute was passed amending the Criminal Code making the practice of short selling unlawful). We stood trial four times in three Provinces—once in Alberta, twice in Ontario and once in British Columbia. In other words, we were tried four times for the same offence and paid a total of \$600,000 in fines for something which was not an offence under the Criminal Code in Canada until May, 1930. Is this impartial administration of British Justice?

As an example, under the procedure as established in the Solloway, Mills prosecutions, if it were discovered by some officer of the law or an informer that, in some instance, the business of one of our large corporations was being conducted illegally, the directors could be prosecuted in each Province in Canada for the same offence.

Between the time of our arrests in January and the commencement of the trial in Calgary on June 2, arrests of other brokers had taken place in Ontario, many brokers had gone into bankruptcy and, as already reviewed, most of the responsibility for most of our national troubles had been placed

upon the brokers. The brokers' cases had been daily discussed in the newspapers throughout Canada, so that our trial opened under the most unfavorable conditions. We were convicted before we went into court. In Great Britain it is a very serious offence for a newspaper to discuss a case that is before the courts. The only liberty allowed is to publish the evidence without comment until the case has been disposed of. Such a law is urgently required in Canada.

IMPORTANT SUBJECTS OF PUBLIC INTEREST

I shall briefly review subjects dealt with at the time that, I think, are of public interest, eliminating all the technicalities of law:—

(1) *Short Selling*, which I have fully dealt with in the review of the Solloway, Mills business and elsewhere and which we fully answered by establishing customs and usages on all stock exchanges in Canada and other countries.

(2) *Method of Trading* (which was also in accordance with the established customs and usages on all stock exchanges in Canada and elsewhere) in that the firm was often buying when its clients were selling, and selling when its clients were buying. Our answer to this complaint was that the broker had the same right to buy and sell stocks as the public. We established evidence that we employed special brokers to handle nearly all of the firm's

trading and that we never used any methods to take advantage of Solloway, Mills and Company's customers or to affect the market price of stocks. We further established in evidence that it was my written instructions and the policy of the firm always to give the customers the advantage in price if, for any reason, the market was in the condition that prices would fluctuate in a way to bring disadvantage to the client.

(3) *The Use of Clients' Collateral and Stock.*—

In answer to this complaint we established in evidence the customs and usages on all stock exchanges in Canada and elsewhere to the effect that stock certificates are used by a broker in the same manner as currency is used by a bank; that one share of a given corporation is as good delivery as another in the same way that one \$10 bill is as good legal tender as any other \$10 bill of the same bank. We established that, as stocks came into a broker's office in connection with marginal trading, they all went into the one securities box. If a customer brought in a certificate with a certain number on it and we used this certificate for delivery to the clearing house or for delivery to a customer or for delivery to cover a transaction of a short sale and the next day gave back to the same customer another certificate of the same company with a different number on it, it was not an offence. We established that this was the custom and usage in the brokerage

business throughout the world. We further established in evidence that, although the Company dealt in thousands of transactions totalling millions of dollars daily and had 70,000 customers, the Company had never failed to make delivery of either a customer's securities or cash.

(4) *Conspiracy*.—We established evidence that I was solely responsible for the conduct of the firm and all instructions in connection with its trading policy. While Mills had been a partner until January, 1929, when his interest was purchased by me, he had never taken a responsible part in directing the trading policy of the firm. All the traders of Solloway, Mills and Company swore they had never received instructions from Mills regarding either the trading or financial policy of the firm. Therefore, I could not conspire with myself or with a limited company which had no soul and could not enter into a conversation in the manner necessary to establish a conspiracy.

The Crown called approximately fifteen clients whom they had interviewed and thought had some grievance, but when these clients appeared in court not one had a complaint to make. The evidence shows that they said they were all satisfied with the treatment they had received by the firm. In general the Crown failed to establish any evidence, even a complaint by a client, against either myself or employees. Out of the mass of documents and books

produced in court the Crown found many irregularities but, in every instance, we established that these irregularities were caused by the volume of business and the demand by the public to have their orders filled on days of intense trading activity when the Solloway, Mills organization and the stock exchanges throughout America were swamped with their customers' buying and selling orders, through negligence on the part of the staff or in contravention of my written instructions and that, further, almost without exception, these irregularities cost the firm money and were in favor of the customers.

CHAPTER XIV

MR. JUSTICE IVES' JUDGMENT

AT the trial in Calgary, Mr. Justice Ives referred in his judgment to the great mass of evidence and the difficulties he encountered in refreshing his memory from day to day. As I read these remarks I recall that, during the trial and since, I have often wondered how, in the course of a few weeks any man who had had no experience in the financing of industry or in the complicated business of financial markets, stock exchanges and brokerage, could become familiar with all the technicalities and problems of such a complicated business. The situation was made more complex by the fact that Canada had just passed through a period of speculation which was a reflection of similar speculation in the other financial centres of the world.

As we study the judgment and compare it with the evidence we find that Mr. Justice Ives accepted without qualification the complaints of the Crown and almost wholly ignored the defence evidence of customs and usages.

Our defence was that everything Solloway, Mills and Company did (within my instructions) we had

a legal right to do. Every confirmation form and every contract form used by the firm advised the customer that all transactions were in accordance with the customs and usages of the stock exchanges on which such business was transacted, giving the firm authority to deal with the shares that it carried from time to time for its customers.

During the course of the trial Mr. Justice Ives refused to accept most of the evidence which we had prepared to establish customs and usages not only on the stock exchanges of this country but on stock exchanges in New York and London, England. But we did manage to get before the court sufficient evidence to establish customs and usages on the stock exchanges on which Solloway, Mills and Company transacted their business in Canada and I herewith quote extracts from the evidence of two of the most reputable chartered accountants in Canada—men who have attained honorable positions in their profession:—

(First Witness):

I have felt that a condition had arisen in connection with the business of the Standard Stock and Mining Exchange which, perhaps, had not arisen in any other exchange in the world. The Standard Stock Exchange is, in my opinion, the largest exchange dealing in mining and oil and speculative stocks in the world. There have been days when they dealt with over four million shares in a single session, which runs into sometimes, many

hundreds of thousands or millions of dollars in a day, dealing in shares of the most highly speculative kind, and when a broker undertakes to handle those shares for his clients on margin he is assuming a very grave personal risk, a risk not only for himself, but also for his clients, because if he cannot retain the position of solvency then his clients are bound to suffer. Now let me illustrate it, if I may do this, Mr. McGillivray.

Question:—Until his lordship tells you to stop, go on.

Witness:—If I may illustrate it, a broker on the Standard Exchange is carrying, we will say, 50,000 shares of an oil stock for 500 clients, and he is carrying it on a one-third margin that is, the client has put up one-third of the purchase price and the broker has put up two-thirds. There is a good deal of interest in this particular kind of stock, the oil company is drilling a well in Turney Valley, we will say, and as the drill is going down deeper into the ground the price of the stock is going up higher because the public is daily expecting to get word that oil is going to be struck, which will make the stock very valuable.

Then, finally the drill gets to the place where it develops that the hole is dry. There is no well there. I remember one case of Mayland, I am not sure of the stock, I think it was Mayland, where the stock was \$10, sold freely on the exchange at \$10 one evening, and during the night it was reported that the well was dry and the next morning the stock was worth \$5 on the market. Now, where is the broker if he has carried the whole of that 100,000 shares of that stock in his box on a one-third margin and the stock has been cut in half in one night? Where is

his position of solvency? His clients will probably not be able to make good that loss and the broker has a lot of stock on his hands which he cannot sell, or if he tried to sell would only bear the market still more, and it would mean that the whole burden of the loss would fall on the shoulders of the broker. If he repeated the operation a sufficient number of times he would find himself hopelessly insolvent and unable to deliver stocks to anybody or to carry on his business. That is why I think there is some justification for this new method, if you like to call it so, this new method of financing, which has sprung up among the Standard brokers. I do not believe it has been from any spirit of dishonesty on their part. It has been from a spirit of honesty and a desire to keep themselves financially sound.

I told Mr. Solloway that, in my opinion, dealing in the class of security with which Solloway, Mills and Company, Limited, were dealing, I considered his firm would be very much safer financially, if they had enough dollars in the bank to buy these securities which they were carrying for their clients than if they had their boxes stuffed with the securities themselves. At the same time I told him I thought he should keep enough stock on hand to take care of normal demands, very much as a chartered bank does with its currency.

(Second Witness):

Mr. McGillivray:—Mr. Smith was asking you concerning the policy of the firm in taking a short position. Now, do not answer until his lordship permits. I desire to know from you as a chartered accountant and a man of business as to whether or not you consider that was a sound business policy?

Witness:—Dealing with such highly speculative securities as this firm dealt in I consider it a perfectly sound financial policy.

I quote further from the evidence of one of the oldest brokers in Canada:—

Question:—Mr. X, will you tell me what, in fact, were the customs and usages of that exchange during the last twenty years, we will say, including all of the period that Solloway was carrying on business as a broker with respect to short selling and the filling of these short sales with stock obtained as a result of buying shares pursuant to the orders of marginal customers, what have you to say as to the usage and practice on that exchange?

Witness:—I think it was the usual custom, general custom. There was no law on our exchange to prevent us from selling stock short and no law that I know of to prevent us from using a client's stock put up as margin.

Several other witnesses testified to the same effect.

In dealing with the shares that the firm bought and sold for its clients, Mr. Justice Ives overlooked the evidence of several witnesses who testified that Solloway, Mills and Company made delivery of securities to every one of their 70,000 customers when called upon to do so.

In dealing with the use of agent brokers, Mr. Justice Ives ignored much evidence presented by the defence to the effect that stock exchanges could not function and that brokers could not carry out their

numerous duties without agent brokers. I quote from the evidence of a witness who had many years experience with the London Stock Exchange and with a well-known Canadian stock exchange:—

Question:—Now we have heard something of the use of agent brokers on exchanges. Is that an unusual thing?

Witness:—No, they are used on all exchanges that I know of.

Question:—Do you know that they are used on the London Stock Exchange?

Witness:—Yes.

Question:—In London, England?

Witness:—Yes.

Question:—What are they known as there?

Witness:—They do not have a term there, the functions of the market are split up into jobbers and brokers. The jobber remains in the market so as to keep in touch with prices and the broker visits the market, but the broker is never questioned by his jobber, whether he is dealing for himself or for a client or for another broker and brokers there frequently ask other brokers to do their business for them on the exchange, with some arrangement as to commission. I cannot quote the commission but there is commission charged. It is quite frequently done.

Question:—And in New York?

Witness:—In New York they are known as “Two-dollar brokers”, that is because a broker used to have \$2 out of \$12.50. Today they get \$2.50 out of \$15 commission, but they still retain the same name, “Two-dollar brokers”. They are reckoned in all exchanges I know of to serve a very useful function.

EVIDENCE ON USAGES NOT CONSIDERED

All evidence submitted dealing with customs and usages was uncontradicted in any shape or fashion by the Crown.

In dealing with terms peculiar to the brokerage business, Mr. Justice Ives received a wrong impression as shown in his interpretation of such stock-market terms.

In dealing with bad debts written off, Mr. Justice Ives ignored the large losses suffered by the firm through bad accounts. In dealing with commissions charged on transactions not filled on the exchange, he completely overlooked the services the firm rendered to its customers and the expense in connection with such services.

Mr. Justice Ives further held me responsible for all the acts of negligence and mistakes of Solloway, Mills and Company's employees.

Mr. Justice Ives, in writing his judgment, failed to recognize the system of clearing houses on which the buys and sells between all brokers are balanced daily and settlement made only in balances and which system, in turn, is used by large brokerage houses in balancing daily all their transactions with their clients. He further overlooked the fact that the evidence collected under the Securities Frauds Act should not have been used to obtain a conviction under the Criminal Code.

Mr. Justice Ives overlooked that short selling was not unlawful until an amendment was made to the Criminal Code in May, 1930.

He ignored the fact that the Crown had not made an audit of the books as submitted in evidence and their method of picking a few transactions out of millions could not be justified under the rules of evidence.

In reviewing jointly the evidence and the judgment I cannot resist pointing out that Mr. Justice Ives missed a great opportunity to do Canada a valuable service by reviewing the machinery and system of the brokerage business in general and in pointing out the responsibility of governments for customs and usages, following this by giving recommendations for reforms in order to avoid destroying the stock exchanges and financial markets of Canada.

As I review the evidence and the judgment, Mr. Justice Ives did not convict Solloway and Mills of a criminal offence; he convicted us of employing the customs and usages that had been established in this country since Confederation and through which the governments of Canada yearly collected large amounts in the way of revenue.

I might have taken the same view myself had I been in his position. In those days public opinion was prejudiced against the brokers and, behind public opinion, was all the power and prestige of the Alberta Government and the press. The Brownlee

government had to do its utmost to secure a conviction because it might later be thought responsible for disorganizing the financial markets of Canada.

One year later in Toronto we stood trial on the same general evidence and were acquitted.

CHAPTER XV

GRAND UNION HOTEL REMINISCENCES

IN recalling events leading up to the Ontario prosecutions of Solloway and Mills, memory takes me back to the year 1911 and the Grand Union Hotel in Ottawa. That year records two important events in the history of Canada. It was the year of the Porcupine boom which followed the discovery of the first important gold mine in Ontario by Bennie Hollinger and it was the year of the Dominion election over the issue of Reciprocity, with the return to power of the Conservative party and the defeat of Sir Wilfrid Laurier.

It has often been said that the election was won and the members of the Borden cabinet selected by the young progressive element of the Conservative party of that day in the long bar-room of the Grand Union Hotel. I can still see Tom Wallace walking through the hotel, good-naturedly cursing the young Conservatives because he could not find some of them when Sam Hughes or some other leader wanted to round them up.

The Grand Union Hotel, in those days, was noted for its large dining-room, good food and for its

long bar and its good-liquor. If the dearly-beloved Tom Wallace could not find them in the dining-room, he was sure to find them in the long bar. It was in this bar that I first met Howard Ferguson. I remember that the older Conservatives like Sam Hughes and Frank Cochrane would speak of these Conservatives as "Young Howard Ferguson", "Young Tom McGarry", "Young Tom Wallace", "Young Eddie Dunlop", and so on.

NORTHERN MINING CAMPS

In the early days of mineral discoveries in Northern Ontario one met almost every one worth knowing either in the mining camps, in the famous square of Cobalt, in the bar-rooms of the Windsor Hotel in Montreal, the old Russel and Grand Union in Ottawa or the King Edward in Toronto. It is worth mentioning in passing that I met many men in those days who have become prominent in the mining, industrial and public life of Canada and whose names will be found in the history of this period of our industrial development.

Reviewing names of those who discovered and developed our important mines, commencing with Cobalt, are such men as Duncan and "Blackjack" McMartin, "Bob" Shillington, Clem Foster and that well-known character "Foghorn" McDonald; in Haileybury, those inseparable friends—Old Man Farrar and Judge Elliott—"Charlie" Keeley,



Prospecting days in Northern Ontario. From left to right—Douglas G. H. Wright, Mrs. "Sam" Sainsbury, Cyril Knight, Russell Cryderman, I. W. C. Soltoway.



Woods, "Bob" Jowsey and Dr. Beattie, discoverers of the famous Keeley mine of South Lorraine. It was around a campfire one evening during the days of the silver discovery of South Lorraine that I first met Bennie Hollinger who, within a year, was to discover the great Hollinger gold mine. I remember the day he left Haileybury, seeing him walk up the street with a pack-sack on his back, starting out for the Northern wilderness on the journey that was to make him famous.

MANY FAMOUS NAMES

I recall the names of many men whom I met on the trails and around the campfires of Northern Ontario in those early days, such as George Burns and Wilson, discoverers of the Dome mine; Sandy McIntyre of the McIntyre; Jack Hammell, Tom Creighton and Jack Callinan of the Flin Flon; Harry Oakes, of the Lake Shore; "Jim" and "Bill" Hughes of the Teck-Hughes; Lorne and Ray Howey of the Howey; Gilbert LaBine, discoverer of the rich silver radium deposits of Great Bear Lake; "Pete" and "Mick" Roche, my prospecting partners of the Montreal River days; also Weldy Young and Henry Cecil, associated with the early mining days of Kirkland Lake; Sam. Otisse and "Jake" Davidson, discoverers of Matachewan; Ed. Horne, "Bobbie" Gamble, "Bobbie" Cocheram and the McDonoughs, discoverers of the Rouyn district.

I still remember the thrills of excitement when, for the first time, one stood and gasped at the silver sidewalks of Kerr Lake, Crown Reserve and the Lawson.

I know the life of the prospector and the speculator. I know the spell of loneliness and humility the stillness of the wilderness in winter casts over one—to sleep and eat in the ice and snow—to feel the relentless cold eating into one's heart. I know the thrill the prospector gets when he at last removes the moss from the rock that discloses gold and silver ore, and the thrill of the speculator when he gambles on a prospect and it develops into a rich mine.

I also know the disappointment of the prospector when his discovery and work turn out to be worthless, and of the speculator when all his money is gone and he finds himself penniless and friendless. But men of the North are good losers and to most of them the life of adventure is worth it all.

At this time I first met Arthur Slaght, a young lawyer with an office in a roughly-constructed cabin, with a typewriter and two or three law books, who was afterwards to become famous through his association with Harry Oakes in fighting the legal battles in connection with the titles and ownership of the now famous Lake Shore, Wright-Hargreaves and Tough-Oakes gold mines; later in the defence of "Andy" Peppall in the famous Jarvis case, and

who, still more recently, was to win for me the verdict of "Not Guilty" in the most unjust prosecution that ever came before the criminal courts of Ontario.

POLITICAL ASSOCIATIONS

Since those early years I have always been associated with Conservative politics and clubs, such as the Albany Club in Toronto, where it is said Conservative governments are often made. After I returned from the war, I went to Toronto in the summer of 1919 to discuss some matters with the Department of Mines in which I required the services of a lawyer. Howard Ferguson was then Minister of the Department of Mines of the Ontario Government and, through my Conservative associations, I met Colonel W. H. Price, who acted for me in certain personal matters before he became a minister of the Crown in the Ferguson government.

When I went to see Howard Ferguson I was like the great majority of "returned men", trying to re-establish myself in our industrial life by seeking an occupation. I found him busily engaged in doing everything he could to assist the returned soldier while he was interested in any reasonable proposition that would further the development of mining in Northern Ontario.

I also found Ferguson to be a good friend. He gave me letters of introduction to prominent men

whom he thought would be of some use to me. In my opinion no man in public life during those years worked so hard to further the cause of the war veteran, the development of Northern Ontario and the Conservative party in Canada as Howard Ferguson. I remember how I sympathized with Mr. Ferguson during the days that the Drury government tried to destroy him. I was present at the Conservative convention held in Massey Hall, Toronto, when Howard Ferguson took the platform to defend not only his own position but the cause of the Conservative party, which resulted in his being elected as leader of the Party in Ontario.

During the years following the return to power of the Conservatives in Ontario I was occupied in mining in Northern Ontario and later in the building up of the Solloway, Mills business in Toronto. With the exception of attending an occasional Conservative banquet I had no time for politics, no favors to ask of either Mr. Ferguson or Colonel Price.

When I was being prosecuted in Ontario, Howard Ferguson was the leader of the Government and Colonel Price was the Attorney-General, so the Liberal press and men in the financial life of Toronto who knew of my political associations thought I would be shown some special consideration, particularly by the Attorney-General. But the facts are that I could not have been treated worse had I been a vagabond.

CHAPTER XVI

BROWNLEE FORCES PRICE'S HAND

A REVIEW of events leading up to the first Solloway, Mills trial in Ontario takes me back to the developments during the weeks following our arrest in Alberta.

As previously stated, within twenty-four hours of the arrests, the Alberta officials began to feel some of the reactions. It had been a simple matter for Mr. Brownlee to order the arrest of Solloway and Mills and for the Attorney-General's Department to frame a technical charge for the purpose of bringing about the arrests. But after a few weeks' work and investigation, the law officers of the Attorney-General's Department were not so sure they had sufficient evidence on which to secure a conviction. During those weeks the Attorney-General's Department, the special counsel and chartered accountants employed by the Crown were busy seizing books and studying the law on conspiracy to see how they could make short selling a criminal offence. Evidently they came to the conclusion that they did not have sufficient information and would have to get books

and documents of Solloway, Mills and Company from other parts of Canada, as well as members of the staff as witnesses. By long distance telephone, they got into touch with the Attorney-General's Department at Toronto and, after much discussion and negotiation, Col. Price on January 27th took action to assist the Attorney-General's Department of Alberta in seizing our books and collecting evidence.

Had Alberta been content to capitalize politically on our arrests alone, we should not have had further prosecutions in Ontario, but the idea occurred to some one at Edmonton that it would be good business to follow up the arrests of Solloway and Mills by arresting other Toronto brokers who had offices in Calgary. So once more the long distance telephone was employed between Edmonton and Toronto requesting Col. Price and his Department to assist in the arrests of the other Toronto brokers who had offices in Calgary. It probably became all too evident to Col. Price that the "Farmer" politicians in Alberta were intending to capitalize politically at the expense of the Conservative government and Conservative party in Ontario. So I can visualize Col. Price as attorney-general laying the situation before Premier Ferguson with the result, I am told, that Mr. Ferguson obtained the advice of a few prominent bankers, and that Mr. Ferguson and Col. Price decided there was nothing else to do

but step in themselves and arrest the Toronto brokers.

In my opinion it was unfortunate that, instead of consulting bankers and later on calling a conference of attorneys-general, Mr. Ferguson and Col. Price did not call a conference of brokers and employ Mr. W. N. Tilley, K.C., to formulate workable laws, rules and regulations to govern customs and usages on Canadian stock exchanges.

COLONEL PRICE'S POLICY

During 1928 and 1929 Colonel Price had brought about many reforms in the conduct of the brokerage business and the sale of securities to the public. Until January, 1930, he had, in a business-like manner, followed a constructive policy which, he believed, would bring about changes that would react to the benefit of the public and the stock exchange business in Canada.

I quote an extract from the *Toronto Telegram* of June 28, 1929, covering an address by Col. Price before the members of the Standard Stock and Mining Exchange:—

“The Attorney-General sounded a new note in his belief that, if the mining market were allowed short selling, it would occasion two opposite sides, the bulls and the bears, as in New York, and tend to stabilize the mining market. He said it was quite true in fact that the brokers were generally on the short side.

“It would, however, be much better if some of

the public were on the short side. If there were more short sales by the public it would even the matter up.' The Attorney-General thought it impossible to have regulations prohibiting short selling. Rather, the public should be encouraged in short selling.

"I want to be proud, as Attorney-General, of the Standard Stock Exchange and I believe I can be," declared the man whose supervision also has changed the general audit system in brokers' offices, which he regarded as proving very beneficial."

I further quote extracts from minutes of an adjourned meeting of the Board of Directors of the Standard Stock and Mining Exchange, held in the boardroom on Tuesday, November 19, 1929:—

"The Chairman outlined the discussion which had taken place the previous day with reference to the request which had been made to him by Mr. Rogers (Attorney-General's Department) that a general audit be taken on November 30, and requested Mr. Rogers to give the Board his ideas concerning the wishes of the Department.

"Mr. Rogers outlined the attitude of the Department regarding the audit, in the following way:

"The enabling legislation had been passed last session and the Exchange had agreed to put in the new style of audits this autumn, but in view of adverse conditions in the general stock market situation the Department had recommended the putting into effect of the new system be held off for a month or so. The Department now felt that the situation had cleared and this was an opportune

time to proceed in the matter. The audit was not being imposed by the Government or the Department but would be imposed by the Exchange in accordance with the powers contained in the 1929 amendment to the Securities Frauds Prevention Act. He had discussed the matter at length with the President and, in conjunction with him had made out a suggested draft form of questionnaire which the Exchange auditor might require each member's auditor to fill out after a general audit had been held. The only information which would go to the Exchange auditor would be the data contained in the answers to the questionnaire and the Exchange auditor would report thereon to the Board of Directors, each member being designated by a number and not by name. He considered that the important features which should be revealed by an audit in connection with the business of each member were as follows:

"1—It was most important to find out if the member was solvent.

"2—It was then important to ascertain the position in which he stood with respect to his customers, i.e.—what ratio of stock has he available or under his control for delivery to clients upon payment up of their accounts or, in other words, his stock position in that respect, and

"3—His house position.

"He considered that these points should be given careful study, and that as a result of the audit being taken the Exchange would in due time set some basis regarding the extent of short position allowed, this being a matter to be determined by *ethics and not by law*. There had been no decisions in the *courts concerning short positions by brokers*, but he considered that the courts might conceivably hold that if a

broker went short 100 per cent. of the amount of stock purchased for clients that was, in itself, evidence that he did not intend to make deliveries, which would bring the matter under Section 231 of the Criminal Code. There were no decisions on the matter and it was difficult to determine exactly what the position was. He considered that the broker should margin his own short transactions to the same extent that he would apply to those of a client, and that if he uses a client's stock to make deliveries on short trade he should credit the client with the amount. If the broker went short 100 per cent. that would offset the effect of the client's order and a client is entitled to have his order have its effect. The public should not be denied the right to go short on the market. If there was no short position there would be a balloon market, but the public should have the same liberty as the broker.

"Mr. Rogers submitted the following style of questionnaire, which he stated would meet the ideas of the Department:—

"What amount of stock in dollars has the member on hand?

"What amount of stock in dollars has the member hypothecated?

"What amount of stock in dollars is owned by other brokers?

"What amount of stock in dollars are clients short?

"What amount of stock in dollars is the firm or company short?

"What amount of stock in dollars are the partners short?

"What amount of stock in dollars do you owe clients?

"What amount of stock in dollars do you owe bankers?"

"What is the capital surplus allowing for the above?"

"A general discussion ensued regarding the matter of the audit and Mr. Rogers then retired from the meeting."

Col. Price presented his policy both in the Ontario Legislature and in statements to the press during the years of intense stock market speculation. Col. Price, Premier Ferguson and Mr. McCrea (Minister of Mines) had the right ideas and the right policy. They were working to create markets in Canada that would keep Canadian money in Canada, which in turn would benefit Canadian industry and the development of our mining country.

CONVERSATION WITH COLONEL PRICE

I saw Col. Price only twice after he became Attorney-General and on both occasions for a few minutes only. The first time was in the spring of 1928 when he brought out the Securities Frauds Prevention Act in Ontario. As there was considerable discussion both in the House and press in reference to the Act and, as I was then extending the Solloway, Mills business to Western Canada, I went to see Col. Price to find out how the Securities Frauds Act would affect the brokerage business.

I remember at this meeting that Col. Price first

asked me why I was expanding my business to Western Canada. He seemed to be of the opinion that I would take money away from Ontario mines to the mining and oil fields of British Columbia and Alberta. After I had briefly outlined my objects in Western Canada, he described to me some of the plans he had in view in bringing about control of the brokerage business. As I was always of the opinion that reforms were necessary and would react in favor of the broker as well as the public, I was greatly pleased to learn Col. Price's views; but he also remarked that the Securities Frauds Act gave the Attorney-General very wide powers, that it would not be in the public interest to use the Act for prosecution and that he intended to use it only for investigation, supervision and control.

I have often had the occasion, since, to remember this conversation and I have always considered that it was not only unfortunate that he was stampeded into prosecution but that it was a political error. Many times, during the days when he and Mr. Tilley were doing their utmost to secure a conviction against me and send me to the penitentiary, I thought of going to see Col. Price and making a fight with him to abandon prosecution and face public opinion by coming out in the press to review his policy and the work he had accomplished in bringing about reforms and to return once more to his original plan of control, supervision and reform.

The second time I saw Col. Price was immediately after he had followed Brownlee's tactics, in having me arrested in Calgary and brought back to Toronto under escort. By this time he had completely fallen into line with Brownlee's policy and considered it good politics to have Mills and me arrested at the close of our preliminary trial in Calgary and brought to Toronto under guard, instead of waiting until we had returned to the East. Mills and I were under bail of \$200,000 in Calgary, we had just completed a new building in Toronto costing \$650,000 and free from all encumbrances, so there was absolutely no necessity for the manner in which we were transported back and forth under guard between Toronto, Calgary and Vancouver.

I sent word to Col. Price that I should like to see him and I give him credit for granting my request. I said: "Colonel, you and your Department are working hand in hand with the Alberta authorities with the object of securing a conviction against me in Calgary—surely you are not going to make an attempt to prosecute me on the same charges the second time in Ontario?"

He said: "Yes, Solloway, I've got to. If I could have kept the brokerage situation out of politics I would have faced public opinion and eventually carried out my own policy, but now that these fellows out in Alberta have made political capital out of the brokerage business I intend to prosecute."

All I said was: "That means I shall have to fight another trial in Ontario?"

He replied: "Yes, but considering that we are helping the prosecution in Alberta, I do not think we can succeed against you in Ontario."

I walked out of his office.

CHAPTER XVII

ONTARIO TRIALS AND SUMMARY

THE first Ontario trial commenced before Mr. Justice Jeffrey on October 20, 1930. The charges presented by the Crown were identical with the charges dealt with at the Alberta trial, with one technical exception. In Alberta one of the charges was "conspiracy to bucket"—the Ontario charge was altered to a straight charge of "bucketing".

When Mr. W. N. Tilley, K.C. opened his case for the Attorney-General, we presented to the court the evidence of the Calgary trial to show that we had already stood trial on every count that Mr. Tilley presented to the court. After arguments between Crown and defence attorneys, Mr. Justice Jeffrey adjourned the court to study the evidence. On our next appearance in court, after listening to further arguments by the Crown and defence attorneys, Mr. Justice Jeffrey intimated very strongly that there were many difficulties to be overcome by the Crown if Mr. Tilley insisted on going ahead with the charges. Mr. Justice Jeffrey (quite rightly under the circumstances) put the responsibility on

the Crown as to their course of action, with the result that after a week had been taken up in arguments before the court and in adjournments, Mr. Tilley intimated to defence attorneys he would drop the conspiracy charges but would proceed on the one charge of "bucketing".

Faced with the certainty of fighting another long-drawn-out legal battle and the costs in connection therewith under the most adverse circumstances (at this time the newspapers and public opinion were against the brokers) we had no confidence of receiving a fair trial. We decided to take a chance and plead guilty in order to dispose of the proceedings as quickly as possible. We arrived at this decision after considering the situation as follows:

(1) Mr. Justice Jeffrey had plainly intimated that the courts could not look favorably on a reprosecution on the same charges as had been dealt with in Alberta.

(2) There was no moral distinction between "conspiracy to bucket" as covered in the Alberta proceedings and a charge of "bucketing" as presented by Mr. Tilley to the Ontario court. Therefore, we had every right to think that the court would look upon our plea of "guilty" as purely technical, which would allow the case to be disposed of immediately.

(3) We were anxious to dispose of the Ontario charges as quickly as possible as our Alberta appeal

against Mr. Justice Ives' conviction was set down for November 12 and it was important that our solicitors be free to give all their attention to the preparation for the Alberta appeal.

Therefore, on October 29, we decided to take a chance and dispose of the Ontario proceedings by pleading "guilty" to three irregular stock transactions, assuming that nothing more than a nominal fine was involved. The section of the Code dealing with "bucketing" mentions the sum of \$500 and therefore the fine set by Mr. Justice Jeffrey of \$250,000 came as a shock, not only to ourselves but to the public. As a result, the press generally interpreted the large fine to mean that we must have committed some serious offence; otherwise, why should Mr. Justice Jeffrey impose such an unheard of fine as \$250,000?

WHY WE DROPPED THE CALGARY APPEAL

We immediately left Ontario for Calgary with every intention of going ahead with the Alberta appeal but, in the course of a few days' time, events occurred which caused us to reconsider the whole situation:

(1) The opposition press in Ontario and throughout Canada was bitterly attacking Col. Price, using the Solloway, Mills cases in Alberta and Ontario as their medium of attack.

(2) Industrial conditions were getting worse and

stock exchange securities had greatly depreciated in value, with the result that the public was blaming the brokers for a great many of its losses.

(3) We were confident of winning the appeal, but should we win we were then faced with a new trial and the costs in connection therewith. By this time I was tired and in poor health. I had suffered large financial losses in liquidating the Solloway, Mills business and had spent approximately \$1,000,000 over a period of ten months in our defence at the Alberta and Ontario trials and the expense in connection therewith.

(4) Owing to the losses I had already suffered and depreciation of assets, my financial resources had to be considered and I did not think it good business to take a chance on a breakdown in health and leaving my family destitute.

It was the united opinion of my friends and advisers that, considering the political nature of the prosecution, we could not get a fair trial. We, therefore, had many reasons for coming to the decision that we would withdraw the Alberta appeal and abide by Mr. Justice Ives' original decision, notwithstanding our doubt as to its correctness.

Immediately a portion of the press throughout Canada again used our position as a medium to attack Col. Price. Some of the editors of Liberal newspapers went so far as to send me messages to the effect that they had nothing against Solloway,

Mills, but that they were after the Attorney-General of Ontario. The result was that on November 21, Colonel Price silenced his Liberal opponents by laying a new set of charges against Mr. Mills and myself. This was followed on December 5 by similar charges against us and the issue of warrants by the Attorney-General of British Columbia in that province.

REARRESTED BY TWO GOVERNMENTS

Mills and I were subsequently re-arrested by both the Ontario and British Columbia authorities and escorted under guard to Vancouver, then from Vancouver to Toronto. In the course of time, we faced a new trial in Ontario on June 5, 1931, which resulted in a verdict of "Not Guilty" on June 11.

We then appeared in Vancouver to answer the charges of the British Columbia authorities, which eventually were disposed of by Solloway, Mills and Company pleading guilty to a charge of "bucketing" and paying a fine of \$100,000. The charges laid against us in British Columbia were the same charges on which we stood trial in Alberta and Ontario. There was no chance of the authorities in British Columbia being successful in their proceedings but we considered it cheaper to pay a fine than to face the expense and worry of having still another long-drawn-out trial on legal technicalities.

A BRIEF SUMMARY OF THE SOLLOWAY, MILLS PROSECUTIONS

January 10, 1930. Solloway and Mills arrested on warrants issued by Attorney-General of Alberta.

January 30, 1930. Warrants issued by Attorney-General of Ontario.

March 17 to 22. Preliminary trial in Calgary.

March 22, 1930. Solloway and Mills arrested in Calgary under warrants issued by Attorney-General of Ontario and leave for Toronto.

June 2 to 23. Alberta trial.

June 23, 1930. Solloway and Mills pay \$250,000 in fines to Alberta government.

June 28, 1930. Solloway, Mills' offices closed.

August 21, 1930. Preliminary hearing on Ontario charges.

October 20 to 29. Solloway and Mills pay \$250,000 in fines to Ontario government.

November 11, 1930. Alberta appeal dropped.

November 21, 1930. New warrants issued by the Attorney-General of Ontario for the arrest of Solloway and Mills.

December 5, 1930. Warrants issued by Attorney-General of B. C. for the arrest of Solloway and Mills.

December 7, 1930. Mills arrested by Ontario and B. C. officers. Goes to Vancouver, then to Toronto, arriving there Dec. 15.

February 21, 1931. Solloway arrested by Ontario and B.C. officers. Goes to Vancouver, then to Toronto, arriving there February 28.

March 19, 1931. Preliminary trial in Toronto.

April 15, 1931. Appear at assizes before Mr. Justice Raney—case adjourned.

June 5, 1931. Trial of Solloway and Mills resumed before Mr. Justice Garrow and jury.

June 11, 1931. Solloway and Mills found "not guilty".

July 7, 1931. Solloway, Mills and Company, Limited pay fine of \$100,000 in British Columbia.

REVIEW AND COMMENT

In reviewing all the court proceedings in connection with the prosecutions of Solloway and Mills, it is important to note that, with all the money spent by three provinces in employing auditors and lawyers covering the Solloway, Mills investigations and taking into consideration that the authorities found in the various offices of the Company the complete books and records of the firm, they produced neither documentary nor verbal evidence of any description to substantiate one charge of dishonesty. Further, they did not produce one client out of 70,000, nor one employee out of 1,500, to testify as to any act of dishonesty. What other business the size of Solloway, Mills and Company could have stood the same test?

In my opinion Col. Price, Attorney-General of Ontario, departed from the established procedure of law in forcing us to stand a further trial in Ontario after we had already been on trial in Alberta. Having been successful in bringing about a plea of "Guilty" in the first trial, with the payment to the

Province of \$250,000, he forced us to stand a second trial in Ontario.

I find no excuse for Premier Brownlee of Alberta for setting a new precedent in the administration of the law. His hasty decision to arrest Solloway and Mills endangered the investments of thousands of people in Alberta oil stocks. His subsequent policy has, in my opinion, retarded the development of Alberta's oil resources.

The action of Mr. Pooley, Attorney-General of British Columbia, may be excused on the ground that what appeared to be good politics for Alberta and Ontario should also be good politics for British Columbia.

What moral or legal right had the Attorneys-General of Alberta, Ontario and British Columbia to place upon Solloway and Mills the responsibility for the customs and usages of the stock exchanges of Canada?

A review of the proceedings plainly shows that Colonel Price, Attorney-General of Ontario, Mr. Pooley, Attorney-General of British Columbia and others were consciously or unconsciously influenced by political clamor.

I hope that one of the results of my efforts to place before the public a review of the Solloway, Mills business and prosecutions will be to take politics out of the administration of the law.

CHAPTER XVIII

BLUNDERS

IN the days when I was being prosecuted in the courts of Canada no man in public life could afford to say a word in defence of the brokers—it would have been political suicide. The people wanted to be told that the brokers had robbed them. Those who had made money in the market felt they were clever, while those who had lost wanted an excuse and mental consolation. The man who had refused to take a profit and eventually lost money did not want to believe that his judgment on any particular stock or on general business conditions was wrong. So for eighteen months, while I was being prosecuted in three provinces, it was considered good politics and is to this day for the newspapermen and others writing articles on industry to say: "The brokers robbed you and, if you speculate again, beware of the broker."

If we examine world's conditions and the general situation carefully we shall find that it is not always the broker who is responsible but quite often the men who manufacture the bond and stock cer-

tificates. These men use the broker to sell their stocks and bonds to the public and, when they get the public's money, they too often squander it in manipulation and mismanagement.

I believe this situation can be remedied and controlled in the manner that I have already reviewed —by the creation for the broker and the speculator of the proper machinery in the form of a well-organized stock exchange.

In the days of rising stock markets and industrial activity in 1928 and 1929, I spent a large proportion of our revenue in giving a better brokerage service to the public and in advertising the mineral resources of Canada. In those days the newspapers throughout Canada solicited my offices for advertising and included in their news columns everything I had to say on stock market conditions.

Thus, the governments of Canada, the courts of Canada and the newspapers have placed upon me and a few other brokers in Toronto the responsibility for the customs and usages of the stock exchange business. It is astonishing to note in passing that there have been no arrests or prosecutions by governments in connection with the many bankruptcies and liquidations of industrial companies and financial institutions and there has been little or no criticism in the news items of the daily press of such things as company promotions.

Truly the mining broker, the mining industry and

the mining investor have been made "the goat". On the average, people do not risk or lose large amounts in such speculative things as mines or mining stocks but they do so in the bonds and stocks of financial and industrial companies, which the banker and financial newspapers term safe investments. They lose through the failure of concerns caused by bad and careless management.

MY POSITION TODAY

Since the arrests of Mills and myself there have been a few lawyers who have made a business of getting in touch with Solloway, Mills' customers and advising these people to take civil action to recover their market losses. The methods used have been to get all the money they could out of the client and when his money has been exhausted the case is dropped. In other cases these lawyers will undertake to give their services free; then the methods used are to get the news and all court proceedings prominently displayed in the daily press after which they write cleverly-worded letters to me or, through a messenger, advise me that unless I produce a large sum of money I stand in great danger of being placed under arrest.

During the days when I was travelling between Toronto, Calgary and Vancouver, many men holding responsible positions in this country went out of their way to offer me their sympathy and even

to congratulate me and my staff for the courageous manner in which we were combatting our troubles. The facts were that we did not require courage. We were not afraid in the sense that people are afraid when they have done some great wrong. We were simply fighting for our rights. In those days I had to fight to protect the public's money for which I was responsible and to protect my ~~own~~ assets so I could pay all my obligations—not only to the customers of Solloway, Mills and Company, but to my employees; to pay my obligations in the form of office leases and to keep out of bankruptcy until I could liquidate my many obligations throughout Canada.

During those years of conflict I was in poor health and it is only recently that I am beginning to recover my strength. I now find it is difficult to remain idle while I see so much work to be done in the industrial and public life of this country.

I remember in my lessons on military tactics that an army only retreats with the object, some day, of returning to the offensive. I also remember the words of Marshal Foch when, in those anxious days during the spring of 1918 after the great British Fifth Army had been practically destroyed, he said: "Victory is only possible when an army refuses to admit defeat."

I shall return, wisely or unwisely, from the quiet seclusion of family life to the turmoil of industrial

life. I shall face my tormenters and I refuse to be blackmailed. I shall fight those whom I think are enemies of our national life; I shall fight those whom I think are a detriment to our industrial progress. I shall work and support and co-operate with men in Canada whom I think are creating industrial activity and work for our unemployed.

I have another reason for this decision and for the writing of this book. I have three boys, aged seven, five and three—who some day may hold responsible positions in industrial or public life and I consider it my duty to set these boys an example so that when they grow up they will fight for their ideals.

THE END.